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NEWS SUMMARY

GENERAL

Soviet nuclear warning ignored

The West German Government is determined to go ahead with arms control negotiations with Moscow in spite of a Soviet warning that NATO plans for the deployment of new medium-range missiles would destroy the basis for future talks.

Both Chancellor Schmidt and Foreign Minister Hans-Dietrich Genscher said a formal offer of negotiations on NATO and Warsaw Pact medium-range weaponry would be made as soon as NATO decided in December to build a new generation of nuclear weapons in Europe.

The West German leadership clearly felt obliged to reaffirm its commitment following tough statements from Soviet Foreign Minister Andrei Gromyko in Bonn on Friday. Back Page

Mosque retaken

Saudi Arabian troops recaptured the Great Mosque in Mecca from Moslem gunmen who seized it six days ago and took worshippers hostage. Fifty people were reported killed or injured during the Saudi attack. Page 2

Israeli handover

Israel handed over to Egypt the Alma oilfield in the Gulf of Suez, its only independent oil source, in the fourth stage of its withdrawal from the Sinai since the peace agreement was signed seven months ago. Page 2

Asian protest

Thousands of Asians demonstrated in Trafalgar Square against the Government's White Paper on immigration. The Confederation of Indian Organisations said the Government will have to face the European Human Rights Commission if their policy becomes law.

End fighting call

Exiled former leader of Kampuchea Prince Norodom Sihanouk arrived in Paris from Peking and called for an international conference to end a decade of fighting in his country. Page 2

Tunnel deaths

Rescue workers recovered the bodies of the two Birmingham men, Benny Murray, 19, and Thomas Myers, 20, trapped when the 90-year-old Wasthill Tunnel over the Birmingham-Worcester canal collapsed

No move on tour

The controversial British Lions rugby tour of South Africa, planned for next summer, is still in the balance. Rugby Union's policy-making body deferred a firm decision when it met in London and said there is, as yet, no official invitation from South Africa.

Pilot hopes fade

There was little hope for the RAF Jaguar fighter pilot who crashed on a training flight in Scotland after 100 men from RAF and police mountain rescue teams searched snow-covered hillsides until darkness fell.

Tea-time blues

Guests in some British hotels are charged double for newspapers, "outrageous" prices for afternoon teas and face mark-ups of more than 100 per cent on phone charges, according to an AA survey.

Briefly . . .

Police found a hoard of terrorist bomb-making equipment in a farm raid near the Irish border.

Nepalese man decided to be sterilised after the birth of his 40th child. "I've had enough of them," he said.

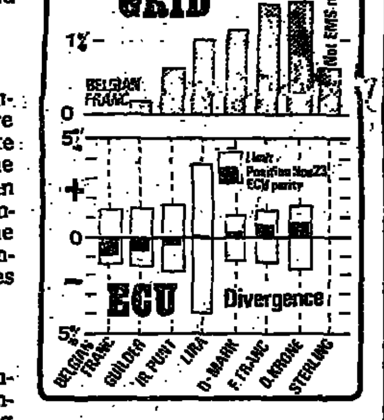
BUSINESS

Unions to step up dispute at BL

● THE Amalgamated Union of Engineering Workers and the Transport and General Workers Union are expected to make official the dispute over the BL decision to dismiss Derek Robinson, the Longbridge convenor. Sir Michael Edwardes, BL chairman, is said to be prepared to resign rather than see Mr. Robinson reinstated. Back Page

● THE DANISH KRONE and French franc vied with each other throughout last week for top position in the European Monetary System. The krone finished marginally the stronger, with the D-Mark taking over as the third strongest member, moving above the Italian lira for the first time since the system began in March.

The lira weakened sharply, but showed signs of recovery by Thursday on expectations of a rise in the Bank of Italy's discount rate. The Dutch guilder and Belgian franc remained the weakest members of the system, and although under no heavy pressure, opened a gap between themselves and the other five currencies. The Irish punt also weakened quite sharply on Friday.



The chart shows the two constraints on exchange rates within the European Monetary System, the "grid" of cross rates from which no currency (except the lira) may move more than 2¼ per cent, and the varying degrees by which each currency may diverge from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies. The "grid" is always shown by reference to the weakest currency in the system, which is the base line in the top chart.

● A MAJOR reshuffle will take place inside the Treasury during the next few months. The changes will involve the promotion of key officials who will run the Department in the 1980s. Back Page

● A PLAN that will enable airlines to raise fares automatically whenever fuel price rises exceed a certain level is expected to be discussed when the International Air Transport Association begins its annual meeting in Manila tomorrow. Back Page

● MEMBERS of the Civil and Public Services Association have voted by a three to one majority to put £500,000 into a fighting fund to support any necessary industrial action against the Government's public expenditure cuts. Page 8

● IRISH BANK officials will meet today to consider a new offer in the dispute which led to the closure of the main banks in the Republic last June. The offer is for a lump sum of 12 per cent of salary to cover extra work caused by the separation of the British and Irish currencies. Page 2

● HAWKER SIDDELEY has signed a contract, thought to be worth £85m, to supply Harrier vertical take-off aircraft for the Indian Navy's aircraft carrier the Vikrant. Page 2

CONTENTS

Patriotic Front will ignore ceasefire decision deadline

BY OUR DAR ES SALAAM CORRESPONDENT

The Patriotic Front will attend today's planned plenary session of the Lancaster House Rhodesia talks but will ignore Lord Carrington's ultimatum to accept, or reject Britain's ceasefire proposals.

Mr. Joshua Nkomo and Mr. Robert Mugabe, joint leaders of the guerrilla alliance, left Dar es Salaam, Tanzania, last night after having apparently won the support of three key front-line African governments for their opposition to Britain's ceasefire plans.

Lord Carrington asked the Front last Thursday for a "yes" or "no" answer to those plans today. But the two leaders told a Press conference in the Tanzanian capital before they left for London that they refused to meet the Foreign Secretary's deadline.

The Front leaders held six hours of talks on Saturday night with Tanzanian President Nyerere, Mozambique's President Machel and Mr. Quett Masire, Vice-President of Botswana.

President Kaunda apparently cancelled his trip at the last moment in the light of the continuing tension in Zambia, and an Angolan delegation inexplicably failed to arrive.

Mr. Nkomo, in markedly better humour than when he entered the talks on Saturday night, said yesterday: "We came here to explain our objection's to Carrington's plan to the front-line states and they understand and support our position."

Both men repeated that they would continue to negotiate. However, Mr. Nkomo said: "We're not going to say 'yes' or 'no' to anything. That's not our position. Our position is to negotiate."

Mr. Mugabe declared that the Front's most fundamental objection to the plan was the requirement that Front guerrillas would have to be put, the plan's words, into "up to 15 assembly points."

Mr. Nkomo likened those to concentration camps. Both leaders emphasised that they believed it unfair and discriminatory that their men should be "herded into these so-called designated areas like cattle" while the Salisbury forces were permitted to remain, arms and equipment intact, in their strategically placed bases and airfields.

Involved

"This is an unequal situation, where our forces are discriminated against and the rebel (Salisbury) forces given a higher status," Mr. Mugabe said. He added: "If one force is to be put in certain areas, then this should apply to both sides equally."

The guerrilla alliance also declared that South Africa should be involved in any ceasefire arrangements. Black African states bordering Rhodesia are required under the British plan to stop the flow of guerrillas and supplies across their borders.

"Britain has got to see that what applies to other front-line states must apply to South Africa," Mr. Nkomo said. "South Africa supplies Salisbury."

Mr. Mugabe also declared the Front's objection to having to negotiate a ceasefire "by proxy" through Lord Carrington. The Front has insisted since last week that there must be direct negotiations between themselves and the Rhodesian military authorities.

Tony Hawkins writes from Salisbury: Impatience with Lord Carrington's handling of the talks deepened this weekend as several Rhodesian spokesmen attacked his "elastic" deadlines. The most outspoken criticism came from a Right-wing member of Mr. Ian Smith's Rhodesian Front, Mr. Bill Irvine, Minister of Agriculture in Bishop Muzorewa's Government.

He accused Britain of "leaning over backwards" to help the Patriotic Front, saying that as every day passed, it became more likely that the PF would get a transitional period nearer the six months it was seeking rather than the two months that Lord Carrington claims Britain is determined to achieve.

Mr. Irvine also claimed that Britain did not believe that there would be an effective ceasefire in Zimbabwe Rhodesia.

His comments were supported by senior military officials, who said that there was no question of any stand-down of Zimbabwe Rhodesia security forces during the transitional period. The officials said it was clear that the PF would continue the war and the British governor would be forced to use all the security forces and not just the police to maintain law and order.

Tension in Zambia, Page 2

UK ready to force crisis in EEC

By Richard Evans, Lobby Editor

THE Government will be prepared to precipitate a major political crisis within the Common Market next year if most of the UK's budgetary demands are not met at the Dublin summit this week, or if substantial progress towards a broad balance in contributions is not guaranteed by next spring.

But what action Mrs. Margaret Thatcher will take if her demands are rejected is far from clear, despite the preparation in Whitehall of contingency plans to obstruct EEC business.

Everything will depend not only on how much the Prime Minister succeeds in reducing Britain's budget contribution, but on the degree of further progress Mrs. Thatcher estimates can be made b ythe end of the current financial year next spring.

If significant progress can be made inthe talks at Dublin Castle on Thursday and Friday —Ministers fully accept privately that there is no question of securing the abolition of the £1bn deficit at one stroke—there will be a breathing space for further meetings to be held.

The difficulty clearly facing Mrs. Thatcher is that she has so aroused expectations of a strong stand at Dublin that a face-saving compromise to avert a public collision with France and other members of the Community scarcely seems possible.

A climbdown would not only damage Mrs. Thatcher's international reputation but would make her vulnerable to political attacks at home.

She has been given fulsome support by Labour leaders for her tough stand, but they are waiting to pounce should she return with anything less than her full demands.

An attempt to avert too damaging a collision will be made by Mr. Roy Jenkins, President of the EEC Commission, in talks with Mrs. Thatcher in London today, but his chances of moderating the British position appear slim.

Mrs. Thatcher, accompanied by Lord Carrington, Foreign Secretary, and Sir Geoffrey Howe, Chancellor of the Exchequer, will go to Dublin determined to fight for a broad balance in Britain's contribution next year and to resist demands for a package deal involving North Sea oil pricing

Continued on Back Page

Britain keeps peace and tough Paris talks for Suarez Back Page

Saudis fail to give oil output pledge

BY JAMES BUCHAN IN JEDDAH

THE U.S. has so far failed to win explicit assurances that Saudi Arabia will maintain its present level of oil output in the New Year.

The Kingdom, the world's largest oil producer, is also considering a big price increase, especially as it has become upset about large profits being made by oil companies handling Saudi crude.

Saudi Arabia increased output by 1m barrels a day to 9.5m barrels this year, but made clear that the measures might be only temporary.

Mr. G. William Miller, the U.S. Treasury Secretary, said at a joint Press conference in Riyadh with Sheikh Mohammed Aba Al-Khail, the Saudi Finance Minister, that the Kingdom's present output was "adequate" given existing supply and demand. But no guarantees were given about the future. The position will be reconsidered at the end of the year.

The lack of clarity may be partly explained by the absence of key members of the Royal Family in Mecca, where the Great Mosque was under siege.

Mr. Miller had given a warning earlier that certain external events, such as a large price increase at next month's meeting of the Organisation of Petroleum Exporting Countries or a further cut in Iranian output, might delay "a return to balanced growth and price stability," which the U.S. might otherwise expect in the second half of next year.

Although Saudi Arabia has not yet prepared its pricing strategy for the OPEC meeting, one Saudi official doubted that a unified pricestructure could be achieved. He indicated that the survival of OPEC might require sacrifices from Western oil consumers, a hint that some OPEC members might press for, and gain acceptance for further big price rises in spite of the moderating force of "doves" such as Saudi Arabia.

However, according to Mr. Miller, Saudi Arabia is also considering a large increase of its own. It charges $18 a barrel for its "marker" light crude, as against $23.50 a barrel and more demanded by other OPEC members. Mr. Miller said that Saudi officials were "very upset" because they suspected that oil companies were selling Saudi oil at higher market prices instead of passing on benefits to consumers.

Althoubg Mr. Miller has not been able to secure firm pledges about Saudi oil supplies or prices, he has received some reassurance over the Saudi attitude to the U.S. Administration's decision to block Iranian Government assets, which Mr. Miller estimated to be $8bn.

In spite of considerable private reservations by the managers of Saudi monetary reserves, the bulk of which are in the U.S., Sheikh Aba Al-Khail said he accepted Mr. Miller's explanation that the move "was due to exceptional circumstances and could not be a precedent for Saudi Arabia.

OPEC may withdraw 2m b/d next year, Back Page

Hostage talks deferred

BY OUR FOREIGN STAFF

HOPES that the U.S. and Iran might discuss the release of the 49 hostages, held in the U.S. embassy for three weeks, were dashed last night after Dr. Abol-Hassan Bani-Sadr, first announced and then postponed plans to fly to New York today to appear before the UN Security Council.

Later it was announced that Dr. Bani-Sadr would fly to the UN in the first week of December.

In an interview broadcast in Paris Dr. Sadat said a formal statement by the U.S. condemning the rule of the deposed Shah could lead to the release of the hostages.

The students holding the hostages are demanding the Shah's extradition to stand trial in Iran.

Even though Dr. Hassan Habibi, official spokesman for the Islamic Revolutionary Council of Ayatollah Khomeini, described Dr. Bani-Sadr on November 15 as Minister of Finance and Economic Affairs and Supervisor of the Foreign Ministry, the latter may well have no authority to make decisions about the hostages.

In Tehran, the students holding the embassy, allowed Mr. George Hansen, a Republican Congressman from Idaho, to visit the 49 hostages. He described their condition as relatively comfortable.

They were, he said, still wearing the same clothes for the last three weeks. Some were loosely bound by the hands and some were barefoot. Most seemed to be unaware that they faced the prospect of being put on trial for being spies.

Carter's worst time in the White House, Page 22

Howe calls for 'sensible' pay deals around 14%

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

SIR GEOFFREY HOWE, the Chancellor, yesterday intensified the Government's fight against any acceleration of wage increases in the current pay round.

In an interview on the Weekend World television programme, the Chancellor avoided any comment on Ford Motor's 21½ per cent offer, but warned of the "uncomfortable consequences" if the average level of pay increases was 18 per cent in the current round.

He did not disagree that such an average rise would be out of line with the money supply target and would mean hundreds of bankruptcies and hundreds of thousands more unemployed.

Instead, he suggested the Government Actuary's assumption of a 14 per cent rise in earnings next year was a great deal more sensible and was moving in the right direction.

Sir Geoffrey carefully avoided any suggestion of a pay norm. He stressed that sensible pay rises would vary very widely, depending on the success of a company, on the level of demand and on the scope for increasing productivity and limiting restrictive practices.

In his view, excessive pay rises were those which any individual employer could not sensibly afford. He rejected suggestions of a pay freeze now and described a formal incomes policy as a straitjacket.

His comments come as ministers are becoming increasingly worried about the high level of settlements so far in the round.

Sir Geoffrey gave the interview the day before publication of the latest projections from the Centre for Economic Forecasting of the London Business School. These will be closely watched, since Professor Terry Burns, until now the director of the Centre, will shortly become the Treasury's Chief Economic Adviser.

The Business School Forecast on output next year is slightly less gloomy than the Treasury's last Thursday. But its general theme is that next year will be a bad one for the economy. Inflation is expected to remain high, while public sector borrowing is projected to rise to £11.2bn (before £500m of proposed asset sales) in 1980-81 compared with an implied Treasury estimate of £9.5bn.

During his interview, Sir Geoffrey twice called in support the view of Dr. Alan Budd, the new director of the Centre for Economic Forecasting, that provided the current Government strategy is continued there should be an improvement in performance in 1982-83, with a single figure inflation rate and a pick-up in output.

During nearly an hour of questioning Sir Geoffrey gave no new hints about policy. He suggested that the time was not right for some new tripartite forum type of institution since it might not be supported by all the main union leaders and it might arouse the wrong expectations.

However, he mentioned the discussions on the immediate outlook for the British economy at next month's meeting of the National Economic Development Council which would involve union leaders.

On taxation, Sir Geoffrey stressed that further changes would be limited until the balance of the economy was under control. The strategy of securing a continuous reduction in the burden of taxation remained, but it was a question of timing. He said one of the priorities for the immediate future would be changes in capital taxes.

Britain faces low output and high inflation, Page 6

Sewerage and water workers to press for at least 40%

BY NICK GARNETT, LABOUR STAFF

THE GOVERNMENT'S ability to keep public sector pay settlements at about the level of inflation is now under intense pressure from the 33,000 sewerage and water supply manual workers who are to push for rises of at least 40 per cent.

The National Water Council, which is very anxious about this year's negotiations, is due to reply to the union's claim on December 20.

It has some leeway for settling beyond the level implied by Government cash limits but says privately that it cannot possibly meet the claim. The present basic minimum is £49.60 a week and union officials want to see this raised to £75 this year, a 50 per cent rise.

The workers, employed by regional authorities, have the ultimate power of disrupting the sewerage system within less than a day, creating a totally unacceptable health hazard, as well as dislocating water supplies to home and industry.

The group is traditionally docile but has been adopting a more militant stance and last year carried out sporadic action which affected water supplies in some areas.

An internal joint union-management exercise comparing water industry pay with that in the electricity and gas industries—the most directly comparable public utilities—has shown, according to union officials, that there is a clear case for increasing basic rates by 20 per cent.

They want this paid now, together with an extra amount to protect their comparability against the possibility of very high settlements early next year in electricity and gas.

In addition, they are seeking a full annual settlement at least to keep pace with inflation. They are looking for a further 20 per cent for this.

The employers' problem has been compounded by a recently negotiated award for 40,000 gas industry manual workers. This provides for eventual increases of 5 per cent in base rates, together with consolidation into basic pay of about £10 worth of productivity supplements in return for a lowering of the bonus payment rates and a study of job timing.

This agreement, quite separate from the gas workers' main settlement, due in January, has widened the pay disparity between the water and gas industries.

Water council officials, who fear London will be a target this year if there is industrial action, agree that the water workers have a case.

Mr. Eddie Newall, General and Municipal Workers' Union national officer and leader of the water industry union side, said yesterday that the problem of comparability had been dragging on for at least two years and the workforce wanted the position fully rectified.

It was unclear how much, if any, of the comparability payments they would take simply as a commitment to be paid next year. There was a real possibility of major difficulties for negotiation this year.

Dozens injured as Saudi forces recapture mosque

BY OUR FOREIGN STAFF

SAUDI troops carrying small arms and supported by armoured personnel carriers yesterday recaptured the Grand Mosque in Mecca from Moslem extremists who seized it and held a number of hostages last Tuesday.

Dozens of people are said to have died or been injured in the strenuous efforts to retake the mosque, which is the Islamic religion's holiest shrine. Saudi troops were reported to have advanced into the enormous courtyard spraying bullets at the towers around them. A fire is said to have broken out.

The official Saudi radio gave no details when it confirmed that an end had been put to what it called "the criminal action." It said simply that—"the abnormal group has been forced to surrender."

The exact number of gunmen who seized the mosque is unknown, as are the precise motives for their action. Their occupation, on the first day of a new Moslem year, provoked a storm of protest throughout a shocked Islamic world.

Saudi religious authorities were reported to have given King Khaled special approval for the attempt to re-take the mosque by force. A team of doctors and nurses was apparently moved into position immediately before the final assault on the gunmen, who had apparently retreated to a basement with a number of hostages.

There were reports from Jeddah that Prince Fawaz, Governor of Mecca, and a brother of King Khaled, had been injured in the recovery of the mosque but no confirmation was available.

While they had occupied the mosque the Gunmen demanded that worshippers recognise a man they called their "Mahdi"—a new messiah to lead them, named Mohammed Abdullah.

Diplomats said yesterday that they thought the men were ultra-conservative Moslems who object to the oil-promoted industrialisation and modernisation of Saudi Arabia. They had sought an end to television and radio in the country and of the involvement of women in commerce.

In Kuwait two local men who proclaimed their support for the gunmen's seizure of the mosque were yesterday undergoing questioning after being arrested on Friday. Those of the gunmen who survived yesterday's onslaught on the mosque in Mecca will also be questioned in an attempt to determine how well planned the whole operation really was.

Riyadh, Iraq 'shaping alliance'

BY IHSAN HIJAZI IN BEIRUT

AN ALLIANCE may be taking shape between Iraq and Saudi Arabia against the Iranian revolution. The apparent moves come at a time when Ayatollah Khomeini, the Iranian ruler, is offering himself as leader of a Pan-Islamic movement against the West.

The left-wing Beirut daily, Safir, reported yesterday that co-operation and co-ordination were apparent at the Arab summit conference in Tunis last week between Mr. Saddam Hussein, Iraq's President, and Crown Prince Fahd of Saudi Arabia.

The paper said the evolving *Saudi-Iraqi alliance is expected to be joined by the smaller Arab states in the Gulf region which are afraid of Iranian territorial ambitions.*

Ayatollah Khomeini's call on Saturday for a Pan-Islamic struggle to oust Western and American influence from the Middle East could herald the beginning of an attempt by Iran to expand the scope of its anti-American drive. As Safir said the Iraqi-Saudi alliance "is in the shadow of Khomeini."

Arab diplomatic sources report that Saudi officials believe the overall atmosphere generated by Ayatollah Khomeini and his Islamic fundamentalism is responsible for the attack against the Grand Mosque in Mecca, even though there was no evidence of direct Iranian involvement there.

Reports received by diplomatic quarters here said that Iraq has massed a large section of its forces along the border with Iran.

The usually well-informed Lebanese magazine Al Usbu Al Arabi said Mr. Yasir Arafat, the chairman of the Palestine Liberation Organisation rushed to Baghdad last week in an attempt to head off the outbreak of war between Iraq and Iran. Arafat is said to have undertaken his unscheduled visit after receiving a coded message from Mr. Hani al Hassan, the PLO representative in Tehran, declaring that Iraqi troops were preparing to invade three Iranian-held islands in the Gulf and that Iran had placed its navy on alert as a precaution.

Baghdad has demanded that Iran return to the Arabs the three islands, Abu Mussa and Greater and Smaller Tunbs. Iran occupied the islands in 1971. The PLO is a supporter of Ayatollah Khomeini, even though it does not approve the holding of the hostages at the U.S. Embassy in Tehran.

Israelis hand over oil field

By David Lennon in Tel Aviv

ISRAEL YESTERDAY handed over to Egypt the Alma oilfield in the Gulf of Suez, giving up its only independent source of supply of oil.

The hand-over was the fourth stage of withdrawal by Israel in Sinai since it signed its peace agreement with Egypt seven months ago.

Withdrawal to a new interim line in Sinai will be complete when Israel pulls back from the strategic passes in the centre of the peninsula in two months' time.

The Alma field was discovered by Israel two years ago and brought on-stream in March 1978. The twelve wells in the field currently produce about 31,000 barrels of oil daily, supplying one-fifth of the country's needs.

Egypt has agreed to sell Israel 2m tonnes of oil annually in return for the hand-over of the oilfield. This will cover a quarter of the country's oil needs. The first supplies of Egyptian oil are due to reach Israel in about ten days.

The price Israel is to pay Egypt for the oil has not been disclosed. But the withdrawal from Alma is expected to push up Israel's annual oil bill by around $350m at current prices.

Meanwhile Mrs. Ainaya Shaka, the wife of the imprisoned Mayor of Nablus, went on hunger strike yesterday in solidarity with her husband.

Nablus is the largest town in the Israeli-occupied West Bank, and Mr. Shaka was arrested by the Israeli authorities two weeks ago pending his deportation on charges of incitement and support of Palestinian guerrilla attacks on Israeli targets. He went on hunger strike 11 days ago while his lawyers fought the deportation order.

The mayors of all the towns in the occupied West Bank and Gaza Strip resigned in protest against the plan to deport their colleague. A military appeals board will today hear its application against the deportation order.

Indian navy buys Harrier for its aircraft carrier

BY K. K. SHARMA IN NEW DELHI

AN AGREEMENT on the sale of British Harrier vertical take-off aircraft for the Indian Navy's only aircraft carrier, the Vikrant, has been signed by the Indian Defence Ministry and British Aerospace.

Details have not been disclosed, but it is understood that initially half a squadron and a trainer aircraft as well as one reserve plane will be acquired for the Vikrant, which has just been overhauled and modernised.

The deal is thought to be worth 1.5bn rupees (about £85m), and the first of the Harriers is expected to be delivered early in 1981. The aircraft being acquired is the Sea Harrier Mk3, powered by Pegasus 103 engines.

The Harrier sale is the second major defence deal between India and the British Government. A £1bn agreement to purchase Jaguar strike aircraft and build them in India was signed some months ago with British Aerospace. This is now being implemented, despite objections by some politicians in the ruling Lok Dal party of Mr. Charan Singh, the Prime Minister.

The Harrier deal has not met the same opposition, reinforcing the view that the attack on the Jaguar has been mainly for political reasons—the deal was finalised when the opposition party leader, Mr. Jagjivan Ram, was Defence Minister.

Neither agreement is thought to be in any danger, principally because the current political situation is so fluid.

Zambians denounce role of Britain

By Our Lusaka Correspondent

THE ALREADY strained relations between Zambia and Britain continued to deteriorate over the weekend as President Kenneth Kaunda and his Foreign Minister, Mr. Wilson Chakulya, attacked Lord Carrington, Foreign Secretary and chairman of the Lancaster House Rhodesia talks.

After a series of Rhodesian raids on key road and rail bridges, President Kaunda last week placed the nation on "war alert". He then went on to criticise strongly the British High Commissioner, Sir Leonard Allinson, for rejecting Zambian demands that Britain, as the colonial power, should pay compensation. Sir Leonard arrived in London at the weekend, having been recalled for consultation.

The Security Council condemned the raids on Friday and called on Britain, as "administering authority," to stop them.

In his fourth major public speech in a week, President Kaunda, declared yesterday that Lord Carrington's period as a director of Rio Tinto mining group, which has uranium interests in South West Africa (Namibia), had made it impossible for the Foreign Secretary to deal fairly with the problems of Namibia and Rhodesia.

On Saturday, Mr. Chakulya called Lord Carrington an "arch-fascist" who would go down in history as the man who brought peace to Rhodesia by installing the Muzorewa (Zimbabwe Rhodesia's present Prime Minister) clique and leaving the Patriotic Front out in the cold.

In his two hour speech yesterday, President Kaunda, said that Zambia would resist all efforts to draw it into a "constellation" of satellite states tied to the powerful South African economy. He accused South Africa of providing the inspiration for the Rhodesian attacks, which have forced Zambia into total dependence on the railway to South Africa.

President Kaunda also said that the South Africans were training dissident groups to bring down the present Governments of Zambia, Angola and Mozambique.

The main purpose of the speech, like others President Kaunda has made in the past week against Britain and Rhodesia, appeared to be to rally the nation behind him by invoking the threat of external force at one of the most testing times Zambia has faced since independence in 1964.

● Claims that Rhodesian forces had attacked a guerrilla camp 25 miles east of Lusaka on Saturday have not been confirmed. Military headquarters in Salisbury declined to comment on what were described as "speculative reports."

Deadlock in Irish bank negotiations

By Our Dublin Correspondent

TALKS ON the dispute which closed major Irish banks on Friday continued all weekend without any sign of substantial progress. There were fears as talks dragged on last night that *the closure might be prolonged.*

The dispute is over extra work caused by the separation of the Irish and British currencies. The staffs want a lump sum plus a salary increase. But the managements have refused to increase salaries on the ground that the extra work will be taken care of by the hiring of more staff.

If the dispute continues this weeks, it will cause acute embarrassment as foreigners arrive for the EEC summit due to open on Thursday and find the banking service almost at a standstill.

There has been talk of Government intervention to make illegal any increased offer to the bank staffs. But Mr. Michael O'Leary, the Labour Party spokesman on finance, has said such action would not work.

Assembly confirms Demirel in office

BY METIN MUNIR IN ANKARA

TURKEY'S NEW minority government headed by Mr. Suleyman Demirel yesterday won a vote of confidence from the National Assembly. The vote in the 450-member lower house was 229 for with 208 against. One member abstained.

Mr. Suleyman Demirel—a convincing vote

Mr. Demirel's sixth administration is a minority government of his pro-private enterprise Justice Party (JP) supported by small right-wing parties and independent members. It succeeds Mr. Bulent Ecevit's Social Democrat government which stepped down after 21 months following Mr. Ecevit's defeat in last month's by-election.

Mr. Demirel is expected to make sweeping changes in the upper echelons of the civil service and to unveil a number of anti-terrorist and economic measures. The International Monetary Fund is also awaiting Ankara's invitation for talks on the release of the second tranche of a stand-by loan.

AP reports from Istanbul: The Turkish Government has mixed emotions about the three-day visit the Pope is making to Turkey this week, apparently fearing some adverse impact from the Islamic fervour sweeping the world.

The Government hopes the visit, which starts on Wednesday, will help focus world attention on some of Turkey's leading tourist attractions.

Guerrillas delay transfer of Kampuchea refugees

BANGKOK — Shooting incidents in a border refugee camp and resistance from right-wing Khmer Serei (Free Khmer) guerrilla leaders yesterday delayed the transfer of Kampuchean refugees into Thailand.

Shooting occurred in a sprawling camp containing about 180,000 refugees opposite the eastern Thai border village of Nong Samet, refugee administrations said. As a result of the delay less than 3,000 Kampucheans crossed the border, compared with the 8,000 which relief agencies were hoping for.

At a nearby encampment to which about 350,000 people have fled from Kampuchea, Khmer Serei leaders were said to have stationed themselves at the gates to prevent people leaving.

Relief agencies are trying to move the refugees into a huge camp eight miles inside Thailand. But some leaders of the Khmer Serei, who oppose the Phnom Penh Administration and the Khmer Rouge guerrillas of Pol Pot, have objected. They said the young and able-bodied among the refugees are needed for the fight.

Reuter

W. German car boom subsides

BY GUY HAWTIN IN FRANKFURT

WEST GERMANY'S latest car production and registration figures provide further confirmation that the industry's four-year boom is over. But while car demand is taking on a cyclical pattern, output and domestic sales remain relatively strong.

The Verband der Automobilindustrie, the German motor industry association, yesterday announced that car production during the first 10 months of the year totalled 3.34m units. This was 2 per cent up on the output of 3.27m units produced in the comparable period of 1978.

October's production statistics show a small improvement in domestic car demand against the September performance, said the association. But demand last month was still noticeably below the levels recorded in October last year.

The association disclosed that the industry's output amounted to 335,900 car and estate vehicles and 29,900 commercial vehicles in October. Although the total output of 365,000 units was slightly up on the crude production returns for October 1978, output on a real calendar work-day basis was down 4 per cent.

Car and estate vehicle output is the sector that has come under pressure. The commercial sector, which has suffered from reduced demand during the past few years, has strengthened considerably.

According to the association, output during the opening 10 months of the year rose by 8 per cent, from 243,942 units during the comparable period of 1978 to 262,800 units.

The export market has helped protect car production from the full effects of declining domestic demand. The association said that in October 203,100 vehicles of all types, private and commercial, were sent overseas. This is 7 per cent up on the 181,104 units exported during the same month of last year.

For the first 10 months of the year, exports amounted to 1.8m units of all types. This is 6 per cent ahead of the 1.7m units sent abroad during the comparable period of 1978.

Domestic demand for commercial vehicles, said the association, was measurably higher than in October last year. However, demand abroad for West German private and commercial vehicles was firming up at current levels.

The motor industry association figures are confirmed by the Federal Transport Bureau, which has reported that registrations during the first 10 months of the year, at 2.64m, were 1.6 per cent up on the performance during the comparable period of 1978.

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S. Africa heading toward record surplus this year

BY QUENTIN PEEL IN JOHANNESBURG

SOUTH AFRICA is rapidly heading for a predicted record surplus on the current account of its balance of payments of the order of R3bn (£1.6bn) for the current year, thanks to gold, buoyant mineral exports and relatively stagnant imports.

Preliminary figures for merchandise trade in the first 10 months of the year—which exclude the crucial figures for gold bullion, oil and military equipment but include Krugerrand sales—show a favourable trade balance of R1.8bn, compared with a surplus of some R600m for the same period of last year.

The monthly figures for October actually show a smaller surplus than in September — R126m against R247m, accounted for both by a drop in exports, down from R798m to R750m, and an increase in imports, from R551m to R623m. However, the fall in exports includes a drop of R90m in Krugerrand sales—sluggish in the wake of the rocketing gold price—indicating that other exports actually increased by some R40m.

About R330m of the R1.2bn improvement in the surplus so far is accounted for by the higher value of Krugerrand sales, although their volume is actually slightly down. When bullion sales are included—the figures only come quarterly from the reserve bank—they are certain to add substantially to the surplus.

South Africa's performance has been achieved in spite of its soaring oil bill, aggravated by having to buy a substantial proportion of crude imports on the spot market.

Oil imports were well down in the first quarter, but picked up again in April-June, and there have been no indications that South Africa is having too much trouble in buying its necessary supplies since then. Actual figures are treated as classified information.

Imports have remained steady, reflecting the sluggish economic recovery, and military equipment imports are also likely to be lower than in previous years because of the stricter international arms embargo on South Africa.

However the October import figures show an increase of some 13 per cent over September, which may indicate the faster economic upturn showing in several sectors of the economy. It seems likely that the surplus will, therefore, continue to shrink for the rest of the year.

● Singapore's trade deficit narrowed in October to a provisional S$606.6m (£127.3m) from a downward revised S$907.7m in September and S$503.8m in October last year, Reuter reports from Singapore. This brought the cumulative deficit in the first 10 months of this year to S$6.23bn compared with S$5.60bn in the same period in 1978.

Total imports in the first 10 months rose to S$30.9bn from S$24.31bn in the same 1978 period while total exports rose to S$24.72bn compared with S$18.71bn in the first nine months of 1978.

E. Germany buys 1,000 French cars

By Leslie Colitt in Berlin

EAST GERMANY has purchased 1,000 Citroen and Peugeot cars in time to supply the Christmas market. East Germans will have to pay 38,000 marks (9,800) cash for a Citroen Pallas or Peugeot 305—the same cars sell for just over DM 14,000 in West Germany, but this is unlikely to discourage East Germans who have to wait u pto 10 years for delivery of a car. The French models will be offered to eligible persons on the official automobile waiting list.

In recent years, East Germany imported 10,000 VW Golf cars and several hundred Volvos and Fiats.

A two-year-old Golf now changes hands in East Germany at well over 30,000 marks which is 10,000 marks more than it costs new.

The Golf cars were paid for with East German brown coal, machine tools and components, of payment has been arranged but it is not known what form with Citroen-Peugeot.

Citroen has just completed construction of a DM 800m plant at Zwickau, to produce constant velocity joints and is also bidding on several parts of a DM 2bn project to modernise the East German truck industry.

● Seri-Renault engineering has been awarded a FFr 7.1m (£786,367) contract from Segman Sanayi, of Istanbul, for the study, assistance and installation of a facility for the production of motor cylinder lining, AP-DJ adds from Paris. The plant will have an annual capacity of 800,000 units.

A group of French banks, led by Banque Francaise du Commerce Exterieur will finance 85 per cent of the project, and the remaining 15 per cent will be financed by the International Finance Corporation.

TOKYO ROUND

GATT members finalise details

BY BRIJ KHINDARIA IN GENEVA

THIRD WORLD countries have decided against delaying implementation of the Tokyo Round trade package despite failure to obtain an international code governing protectionist import curbs.

This decision was taken ahead of the week-long meetings which begin here today of delegates from the 84 countries which are contracting parties to the General Agreement on Tariffs and Trade (GATT). The meetings will examine the results of the Tokyo Round negotiations and determine how the measures agreed should be included in the existing GATT trade rules.

Negotiations on the main elements of the Tokyo Round package have been concluded. But almost all developing countries refused to endorse the results awaiting completion of continuing talks on the topic of greatest interest to them,—safeguard measures. These are the import curbs used by richer nations to protect weak domestic industries against competition from Third World exports.

The main disagreement on this issue has been between the EEC and the Third World. The Community insists that it should have the right to unilaterally apply safeguard measures against selected suppliers of imports found to be injuring domestic producers.

Developing countries on the other hand, say the EEC, must first consult with the exporters concerned and obtain permission from a GATT surveillance group. They also want the curbs to be applied equally to all suppliers as laid down in the existing Article 19 of GATT.

A proposal to create a separate committee to continue negotiations on safeguards outside the Tokyo Round was opposed by the developing countries during negotiations. This was because of the EEC's refusal not to use safeguard measures while the code was being negotiated. A compromise was reached last week, however, with the developing countries reluctantly accepting the Community's position in exchange for a pledge that during negotiations all GATT members, including the EEC, will adhere to "the disciplines and obligations of Article 19."

This still leaves the core of the dispute unsettled, since the EEC, with partial backing from Canada and some Nordic countries, interpet Article 19 as allowing unilateral curbs against imports from specific suppliers. But agreement has at least been reached to continue negotiations on safeguard measures in a separate committee which must provide its first report by the end of June 1980.

This compromise has encouraged delegates from all sides to predict that the Tokyo Round package as it stands will now be approved by all countries. If this is obtained during this week's meetings this will clear the way for the new trade rules to be implemented, starting on January 1 next year.

The package contains a series of agreements designed to reduce import tariffs as well as non-tariff barriers hampering the world's industrial and agricultural trade.

All 99 Tokyo Round participants will not actually sign every agreement. Each country will sign only those agreements it decides to obey leaving other countries free to join when and if they wish.

SHIPPING REPORT

Tone eases in dry bulk and VLCC markets

BY WILLIAM HALL, SHIPPING CORRESPONDENT

AFTER THE recent firmness in freight rates there was an easier tone in both the dry bulk cargo and very large crude carrier (VLCC) markets last week.

The events in Iran and now Saudi Arabia have made very little impact on the dry cargo market but in the tanker market they are leading to considerable uncertainty. With the U.S. celebrating Thanksgiving Day last week it had been thought that there would be a lull in chartering activity. Far from it.

Towards the end of last week there was a surge in activity as European charterers came into the market for VLCC tonnage. Galbraith Wrightson estimates that 5m tons of VLCCs were fixed out of the Arabian Gulf in the space of 72 hours.

Rather surprisingly the sharp increase in demand for tonnage coincided with a further weakening of rates. At the moment the rates for a 260,000 tonner Arabian Gulf/Western Hemisphere stands at Worldscale 45. This compares with Worldscale 47½ last week and Worldscale 50 the week before that.

Nevertheless, Galbraith Wrightson believe that in the short term rates should improve as New York charterers and the Japanese become busier.

Aside from the very large tankers (300,000 dwt plus) the rest of the tanker market continues to enjoy good trading conditions. In the period section of the market product carriers feature prominently. Last week Shell took a 31,000 tonner on a 12-month time charter at $17.42½ per ton per month.

In the dry cargo markets, rates have eased modestly in the Atlantic but in the Far East the tone remains firm. In the North Atlantic grain trade rates are perhaps $1 per ton lower than the week before and the Gulf China rate has eased further to $41.50/$43.50 per ton.

One of the reasons for the weaker trend is the fear that the Great Lakes will close earlier than expected. The water temperature is already two degrees lower than this time last year.

The time charter market has remained fairly active, especially in the Far East. Denholm Coates reports that the going rate for 27,000 tonners for one year charters is $8,000 daily and for 60,000 tonners for two years —$12,000 per day.

Chloride builds Egyptian car battery plant

By Our World Trade Staff

THE CHLORIDE Group is to construct an automotive battery factory in Egypt, costing about £10m which, when completed, will be the largest of its kind in the Middle East.

Chloride will have 50 per cent of the total £6m share capital of the new company, to be called Chloride Egypt Societe Anonyme Egyptienne, and the General Company for Batteries (GENBAT) will have 38 per cent. The other shares will be held by various financial institutions.

Chloride said that the factory, to be built near Cairo, is scheduled to enter full-scale production at the end of 1982. It will have an initial capacity of 400,000 automotive batteries a year, rising to about 500,000 in 1984-85.

The Avery Group also has announced a £500,00 programme to design and equip a comprehensive materials-testing laboratory for the new engineering faculty at Egypt's University of Zagazig. The contract covers the layout of research laboratories and a workshop, together with the supply, installation and commissioning of all the testing machines and relative facilities. The testing machines will be built at factories in Birmingham and Leeds.

Acrow, the British construction company, has opened its new Acrow Misr factory, 20 miles south of Cairo.

In Libya, GECOS Aviation, a division of GEC Electrical Projects, announced completion of an order worth £1.5m for the supply of Airport equipment at the new Tripoli international Airport.

Tanya Matthews writes from Tunis: Cities Service Tunisia Petroleum of the U.S. has obtained permission to proceed with exploration and possible development of petroleum in tthe Gulf of Gabes. The agreement to undertake the work was reached recently between Cities Service and the Libyan Department of Industry and Mines. The area of exploration would cover some 500 square miles.

UK investment interest 'encourages' N. Yemen

BY ANTHONY McDERMOTT

THE YEMEN Arab Republic has been encouraged by interest shown by British businessmen investing in this small country, Mr. Abdul-Aziz Abdul-Ghani told a London Press conference during the first official visit of a Yemeni Prime Minister to Britain.

His five-day visit ends today, following talks with Mrs. Margaret Thatcher, the Prime Minister, Lord Carrington, the Foreign Secretary, and Mr. John Nott the Secretary of State for Trade.

Mr. Adbul-Ghani also tried to allay fears of foreign businessmen that five years of talks on unity with the Marxist regime of the People's Democratic Republic of Yemen (PDRY) to the south would have an effect on north Yemen's liberal economy.

The Yemeni Prime Minister hopes to see greater British investment in small industries, oil exploration and mining. At present 12 British companies have permanent offices in the YAR.

British exports to Yemen, which totalled only £6m in 1974, had risen to £48.5m last year and for the first nine months of this year reached £37m.

Belgian loan for China

BRUSSELS—Societe Generale de Banque and Banque Bruxelles Lambert have signed a framework agreement with the Bank of China for a BFr 5bn (£80m) export credit, Reuter reports.

The credit will be linked to Belgian exports to China and be drawn down by the Bank of China as and when the funds are needed.

The terms of the agreement will be determined by the OECD international concensus, which will be 7.25 per cent for credits over five years rising to 7.50 per cent for 10 years.

● The Exports Credits Guarantee Department has a U.S.$19m (£8.8m) loan which the Bank of America International, acting for itself and a syndicate of banks, has made available to the Government of Trinidad and Tobago.

The loan will help finance a contract awarded to Rolls-Royce by British West Indian Airways for the supply of RB-211 engines.

The ECGD also has guaranteed a £2m line of credit for Ergobank of Athens, signed recently with Morgan Grenfell.

World Economic Indicators

RETAIL PRICES

					% change over previous year	Index base year
	Oct. '79	Sept. '79	Aug. '79	Oct. '78		
UK	235.6	233.2	230.9	201.1	+17.2	1974=100
Germany	153.2	152.7	152.5	145.0	+ 5.7	1970=100
Holland	128.0	127.1	126.0	122.6	+ 4.4	1975=100
	Sept. '79	Aug. '79	July '79	Sept. '78		
Italy	158.6	154.8	153.3	135.8	+16.8	1976=100
Belgium	134.7	134.5	133.8	128.8	+10.5	1976=100
France	226.3	224.4	221.1	203.8	+11.0	1970=100
U.S.	223.4	222.1	218.9	199.3	+12.1	1967=100
	Aug. '79	July '79	June '79	Aug. '78		
Japan	126.9	128.2	127.1	123.1	+ 3.1	1975=100

Oil search fee may rise in next round

BY RAY DAFTER, ENERGY EDITOR

OIL COMPANIES may face a big increase in fees for exploring on certain blocks to be awarded in the next round of UK offshore licences.

Also in the exploration round, to be announced shortly, independent UK companies will be encouraged to take a more active role in the search for new oil and gas reserves.

In the past few months, the industry and Government officials, particularly from the Energy Department and the Treasury, have met to discuss what might emerge as a new format for licensing. Several companies have been asked which blocks they would like offered.

Consequently, the Government may ask exploration companies and consortia to pay a premium for the more attractive blocks offered: concessions that the industry considers provide a better than average chance of finding oil.

Although the Government seems to have ruled out the idea of auctioning the likeliest blocks (tried as an experiment in the fourth round in the early 1970s) it might raise extra cash in other ways.

The Energy Department might increase application fees and annual block rental charges. Under the six round of licences, the application fee for each licence was £1,250; the rentals start at £100 a square kilometre each year for the first four years of the concession and rise on a scale to a maximum of £3,750

Each North Sea block, on average, covers 250 sq. km., thus under sixth-round terms, licensees pay from £25,000 to about £937,500 a block annually, although the higher rental fee is normally paid when companies are earning substantially from fields.

Another way to increase Government revenue would be to raise royalty fees, currently 12.5 per cent of the tax value of oil produced.

However, higher royalties, applied particularly to the more attractive exploration blocks where the risks of failure might be considered lower than average, would not provide the Government with revenues until well into the 1980s. The Treasury is anxious to introduce more immediate measures.

Details of the financial arrangements for the seventh round have been kept a close secret in Whitehall.

However, it has emerged that the round will be smaller than many companies (and some in the Energy Department) would have wished: possibly much fewer than 100 blocks. It is generally thought, however, that the round will contain a high proportion of the more keenly sought blocks.

Furthermore, as the British National Oil Corporation will no longer have the right of a 51 per cent equity stake in each of the concessions, as in the sixth round, Mr. David Howell, Energy Secretary, hopes to maintain a strong UK presence in the licence groups by the inclusion of more small, independent companies.

In the past few weeks, some prospective consortia involving *overseas oil interests have been* seeking new British partners to improve their chance of bidding success in the seventh round.

There are 26 members of the Association of British Independent Oil Exploration Companies participating in 87 licensed blocks. It is estimated that between them they have a 3 per cent share of proven recoverable oil reserves and a 1 per cent stake in proven gas reserves.

Significantly, Mr. Howell, at the association's dinner last week, contrasted the North Sea experience of the independents with that of the U.S., where independent companies are prominent in exploration and production.

If Mr. Howell is seen to be giving undue preference to UK companies, he may stir up fresh resentment about North Sea policies in the EEC.

Thames lighterage merger discussed

TWO OF the Thames's biggest lighterage companies are having *talks that might lead to the* emergence of a combined group controlling more than half the river-borne cargo in London.

Ocean Cory, part of Ocean Transport Group, is negotiating with its largest rival, Thames and General Lighterage Company.

Ocean Cory has two Thames companies: Cory Lighterage and Mercantile Lighterage. Cory Lighterage operates 80 barges and transports about 200,000 tons a year of refuse for the Greater London Council. *Mercantile Lighterage, a general* company, has about 350 barges.

The two Ocean companies transport about 700,000 tons a year along the Thames. Taking over Thames and General would add another 400,000 tons.

Toshiba defies retail protests to supply International Stores

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

TOSHIBA, THE Japanese electrical goods manufacturer, is to continue supplying International Stores with audio equipment, in spite of protests by independent electrical goods retailers that this potentially threatens their existence.

It is the latest twist in the long-running dispute between the large supermarket multiples and discount stores and electrical goods manfacturers over supplying equipment to be sold at a certain price.

This simmering dispute recently came to a head with Tesco's decision to complain to the Office of Fair Trading that the Thorn group is allegedly refusing to supply audio and video equipment because of Tesco's reputation as a cut-price retailer. Any refusal to supply on these grounds would be contrary to resale price legislation in force for the last 15 years.

Toshiba, which is a major supplier in the Japanese market but is relatively small in the UK, agreed recently to supply International Stores with audio goods for sale in two of the company's largest superstores.

This led to strong objections from Toshiba's main customers, the independent electrical goods retailers. They fear that International or other supermarket groups will sell well-known brands of audio equipment at discount prices.

Toshiba says that it suggests a selling price for retailers which which takes account of the fact that both a before and after sales service needs to be provided.

But Mr. John Bennigsen, Toshiba's consumer products sales director, says Toshiba "is not in a position to control the prices at which retailers sell." Within the trade, it appears that few retailers sell at a level more than 10 per cent below this suggested price.

Post Office go-ahead for 'electronic office'

BY ELAINE WILLIAMS

PLESSEY, the electronics company, has become the first UK company to receive approval from the Post Office for a computer-controlled private telephone exchange.

Obtaining such approval, which allows the exchange to be linked to the Post Office's public telephone network, is important to Plessey because the exchange is intended to form the heart of its "electronic office" system. UK installations can now go ahead.

Mr. Jack Donnelly, chief executive of Plessey Telecommunications and Data Systems, said that the digital exchange was the key to the office systems being developed by the company in Nottingham.

Until now Plessey's digital exchange has been available only in sizes which would allow up to 800 extensions and 120 exchange lines. This is to be extended to offer up to 2,000 extensions.

Computerised exchanges will, over the next few years, revolutionise the telephone network.

Decision soon on Harvey Nichols

BY JAMES BARTHOLOMEW

THE FUTURE of Harvey Nichols, the Knightsbridge store, is in doubt after approaches to buy it for redevelopment.

A decision whether to accept one will be made this week, according to Mr. Kenneth Bishop, finance director of Debenhams, the store group that owns Harvey Nichols.

Rumours about the sale were creating uncertainty for the employees, he said yesterday. "It is difficult to keep approaches quiet when the other parties go round and talk to people."

Harvey Nichols is one of the top two or three stores in London, occupying a prime site at the top of Sloane Street, a quarter of a mile from Harrods. It is a stylish and individual store and does its own buying separately from the other 72 shops in the Debenhams empire.

In recent years it has sought better profitability in becoming more of a fashion shop and less of a general store. Asked if it makes a loss nonetheless, Mr. Bishop said: "It is not very profitable." The final figures will not be known until the year-end.

The store has relied largely on tourist trade but that went sour this year, after the rise of the pound. Last week's interim results from rivals House of Fraser, which owns Harrods, showed a pre-tax *profit fall from £15m to* £11m.

If a sale goes through, Harvey Nichols in its present form will almost certainly disappear, giving way to offices and a smaller shop.

British health spending low

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN SPENDS less on health care per head of population than any other European nation except Ireland and Greece, according to the Office of Health Economics, a "think tank" funded by the pharmaceutical industry.

This is in spite of real increase in investment of 267 per cent since the start of the National Health Service.

Expenditure per head in Britain has increased from £9 in 1949 to £143 per person last year, says the OHE's latest compendium of health statistics.

Taking account of recent pay and price increases, the total National Health Service bill for this year is expected to reach £9.4bn, representing about 5.5 per cent of gross national product.

But a typical outlay for other nations today is about 7 per cent of GNP, with such countries as the U.S., the Netherlands and Sweden approaching 9 per cent.

The U.S., West Germany, the Netherlands, Denmark and Switzerland all spend more than three times as much per person as Britain.

The NHS is the sixth-largest "industry" in Britain and the nation's biggest employer, with almost 1m on its payroll. The biggest single sector—38 per cent—and one that has been growing is nursing staff.

Administrative staff account for nearly 10 per cent, and doctors for another 6 per cent. Almost one-quarter of the doctors were born outside of Britain, "reflecting the considerable dependence on the inflow of overseas doctors," says the report.

But the number of ancillary staff fell by nearly 10 per cent between 1974-77.

The hospital service accounts for the bulk of NHS expenditure, 63 per cent in 1977. Over the period 1949 to 1977 costs rose 15-fold, from £280m to £4.3bn—an increase in real terms of some 300 per cent.

Although the number of hospital beds fell by 13 per cent over the period 1959-77, the number of patients treated in hospital rose by about 50 per cent.

Drug costs in the NHS have risen slightly less than hospital services, just under 300 per cent in real terms since 1951. The bill in 1977 was £689m, of which about one-fifth went to the remuneration and on-costs of retail pharmacists.

The proportion of health service costs devoted to pharmaceutical services has remained very stable at just under 10 per cent, according to OHE estimates.

The cost of dental services rose by about 30 per cent over the period 1950-77, with the proportion contributed by the patient in dental charges rising from 15 to 22 per cent over the same period.

The average dentist recorded a workload which more than doubled between 1953 and 1977, from 1,000 to 2,300 courses of treatment. About 48 per cent of these courses were exempt from charges—a proportion which has remained fairly constant since 1953, finds the OHE.

* *OHE Compendium of Health Statistics, 3rd Edition, 1979. Office of Health Economics, Carrington House, 130 Regent St, London W1R 5FE, £8.50.*

Deflationary Budget forecast for next year

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT is likely, on balance, to have to introduce a deflationary Budget next spring in order to hold down public sector borrowing, according to circulars from two prominent City analysts published at the weekend.

Stockbrokers James Capel and Co. and Phillips and Drew each take this view in analyses of the latest Treasury forecasts published last Thursday.

Both firms suggest that the official public sector borrowing ceiling of £8.3bn for the current financial year will be exceeded and that borrowing in 1980-81 is likely to be higher than last week's Treasury projection.

The Treasury forecast that borrowing will remain little changed as a percentage of Gross Domestic Product in the next year has generally been taken to imply a nominal current price figure of £9½bn to £9¾bn. But Phillips and Drew believes that borrowing next year is likely to be about £10bn, while James Capel estimates that the figure will be £11bn, or £10.5bn after proposed sales of public sector assets.

Phillips and Drew comments that the Government's careful wording about leaving its decision on a borrowing target until next spring (and the Treasury discussion about what borrowing would be a constant employment basis) is "designed to leave the Chancellor to increase borrowing in 1980-1981 to at least £9½bn, and possibly to £10bn. However, we still expect the Chancellor to put safety first, and to introduce a deflationary Budget next spring."

James Capel notes the difficulties of looking at the balance between fiscal and monetary policy for next year. It suggests that a number of illustrative figures which are entirely plausible for 1980 would indicate that the odds are more in favour of a deflationary than neutral Budget.

In another new circular, broker L. Messel raises the question of how the authorities will react during the rest of the current financial year to public sector borrowing from the domestic non-bank sector exceeding the public sector's borrowing needs.

The firm says "two forecasts can be made with confidence—a firm pound and tough conditions in the London money markets."

EEC imports mean £1.2bn cars deficit

By Lisa Wood

BRITAIN imported cars worth £1.4bn from Common Market countries during the first nine months of this year and sold £213m worth, leaving a massive trade deficit of almost £1.2bn.

Japan was another large deficit area. The UK bought £309m of cars and sold a mere £8m worth to the Japanese.

Trade in goods vehicles with the EEC was slightly in Britain's favour, with £122m exports against £106m imports.

In the same period, the Society of Motor Manufacturers and Traders said, UK car registrations were 7.2 per cent up on the same period last year, at 1.408m. The society forecast last month that this year's sales would reach a record 1.67m, topping the peak of 1.66m in 1973.

A total of 785,943 cars were imported during the January-September months, a 55 per cent share of the market. A total of 622,749 cars registered in those months were UK produced.

UK NEWS

Retailers fight new price laws

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A NEW and tougher Price Commission could be set up by the Government if its proposed powers to improve business competition become law, a leading trade association has warned.

The Retail Consortium, which represents over 90 per cent of Britain's retailers, is concerned at the potentially wide-ranging powers being made available to the Government under the Competition Bill. The Bill continues its parliamentary progress this week and is expected to become law either shortly before or after Christmas.

The Consortium has sponsored a number of detailed amendments to the Bill which it hopes will be incorporated and help to safeguard industry's interests. Lord Peart, the chairman, has written to the Government saying that the Bill, as drafted, "is so wide in scope that it is potentially dangerous."

The main concern is over the proposed powers not only to prohibit anti-competitive practices but also to regulate the prices charged by companies found to be operating in an anti-competitive way.

Mr. Richard Weir, director of the consortium, argues that if the anti-competitive practice is prohibited then there is logically no need for price regulation powers as well. Mr. John Nott, Trade Secretary, has made clear that these price control powers would be used only in exceptional circumstances.

But Mr. Weir suggests that "it is dangerous to leave in an Act of Parliament laws which amount to a "price commission' in all but name and could be used just like the old Price Commission."

He adds that, unlike the previous price control legislation, there are no safeguards built into the Competition Bill for protecting company profitability or limiting the length of any price restraint.

The Retail Consortium is also critical of the definition of the "public interest" in the Bill, which it says is similar to that in the old Price Commission Act.

Mr. Weir points out that since virtually all business activity is anti-competitive, in that it seeks to increase the power of one company over another, the important factor is when such activity is against the public interest. The consortium wants the Competition Bill to be more specific, and to include such areas as anti-competitive practices which are designed to improve public safety.

He suggests, for example, that tyre manufacturers may restrict supplies to garages because the garages are not competent to fit the tyre safely on to cars. This would be an anti-competitive practice, but obviously in the public interest.

Retailers are also concerned that the Bill would create machinery for the selective investigation of discounts obtained by retailers from manufacturers. This issue is being studied by the Monopolies and Mergers Commission, and if it decided that regulatory action was needed the Competition Bill would provide the mechanism.

The consortium points out that this would be a major extension of the practice of delegated legislation. Mr. Weir says that the best way of dealing with alleged anti-competitive practices is through primary legislation, which is debated by Parliament, rather than using an extension of the law to cover different areas.

Tesco plan for Saudi branch

BY OUR CONSUMER AFFAIRS CORRESPONDENT

TESCO is examining the prospects for its first expansion overseas, in the Middle East. A senior Tesco executive yesterday flew to Saudi Arabia to evaluate the commercial viability of a supermarket operation there.

The move was at the request of the Saudi Government which has been impressed with Tesco's retailing success in the UK and wants to consider whether a joint venture is feasible.

Although Tesco is seriously considering the Saudi proposal, the company has its major overseas expansion plans firmly fixed on the U.S. market. Within the next few weeks, Tesco plans to evaluate the current proposals for U.S. expansion.

If it decides to go ahead, the company would make a move for a U.S. retailing company early next year. But unless the right proposal comes up, Tesco is unlikely to make a sudden move, since it has a number of other projects in hand next year.

Tesco is planning to start its experiments with new laser-controlled, electronic checkouts as well as opening more new selling space than ever before in its history.

Teething troubles connected with the acquisition last year of the Three Guys chain in Ireland also still have to be overcome.

One area where Tesco is unlikely to expand is into the television rental business. In spite of some reports, Tesco has no immediate plans to enter television rental and is likely to be too preoccupied with its major expansion plans to seriously consider the move.

Tesco's only possible connection with television rental is that it could allow a rental company to operate an outlet on a concession basis within one of the larger Tesco stores. Tesco's new store at Weston Favell, Northants, has nine outside retailers operating on a concession basis within the store.

Recession casts doubts on Hunterston's future

BY ROY HODSON

FORECASTS of depressed trading conditions during the coming winter in international steel markets have raised new doubts as to whether the British Steel Corporation can make a commercially sound case for bringing into production its unused £60m investment in iron ore direct reduction (DR) facilities at Hunterston on the Clyde.

Private sector steelmakers who until recently were keen to buy some of the Hunterston production are now showing caution. Clearly, they are unwilling to enter into a firm commitment with the corporation while the price of steel scrap—the principal alternative raw material for electric steelmaking—remains at lower levels than it has been for several years.

Talks have been held recently between the British Steel Corporation and the British Independent Steel Producers' Association, the latter representing most of the mini-mill owners. But participants say the negotiations are still at a stage when a deal "is possible, not probable."

The decision to build the two ore reduction units at Hunterston to turn imported ore into a high quality material for feeding electric arc furnaces was taken by the British Steel board in the full glare of publicity when Sir Monty Finniston was chairman. He permitted television cameras to follow each stage of the decision-making process, including the crucial board meeting.

The DR units were built by the Korf group of West Germany and the U.S. They have been ready to start production since the summer. But the inter-union dispute between steel workers and dockers about the manning of the Hunterston ore terminal prevented ore being delivered until earlier this month.

Each of the Korf units—called the Midrex process—is capable of making 400,000 tonnes of DR ore material of 93 per cent pure iron annually.

Commercial risk

British Steel believes that it would not be possible to dispose of the full potential production of the Hunterston DR units to its own works and to private sector customers while the international demand for steel remains weak.

Indeed, the corporation believes it would be taking a commercial risk by commissioning even one of the two units.

Paradoxically, British Steel has created its own competition for the DR material by successfully bringing into production the new 10,000-tonnes-a-day blast furnace on Teesside. Granulated iron made of the iron from that furnace, one of the biggest ironmaking operations in Europe, is effectively putting a ceiling on the price that DR material could fetch in the open market.

A growing number of international iron and steelmakers are coming round to the view that the ready availability of DR material will be one of the most important developments in world steelmaking in the 1980s, and that all companies will require access to supplies in order to remain competitive.

Already 23 countries are installing sufficient new plant capacity to be manufacturing 33m tonnes of DR material a year by the early 1980s. Twenty rival processes for making DR material from iron ore are now commercially available.

The basic problem clouding the future of the Scottish DR units of British Steel is that they have been built in the depths of a steel recession, and the corporation, likely to lose £300m in this financial year, cannot afford to support a commercial experiment by putting the DR material on the market at a competitive price.

Drop for mechanical engineering likely

BY LISA WOOD

POOR PROSPECTS at home and abroad next year for the mechanical engineering industry are forecast by the Engineering Employers' Federation.

A federation report on short term trends predicts that the total volume of output in 1980 will be about 10 per cent below this year's level.

The federation said there had already been a sharp decline in business confidence, manufacturing output and investment.

A further deterioration was expected next year, particularly if cuts in public expenditure were concentrated more on external purchases than in the public authorities.

The federation said the intake of domestic orders was thought to be well below the level for the first half of this year. The orders were expected to fall further as the UK economy stagnated, industrial investment fell and public sector investment remained depressed.

It said export orders would fall slightly because of a strong pound and intense competition.

Order intake and output in the industry in the third quarter this year has been affected by the engineering strikes, said the federation. Estimates by its working party included an additional 10 per cent loss of sales and 5 per cent loss of orders as a result of the strikes.

Some of the lost production would be made up subsequently, it said. The output for the last three months of this year would be boosted by this production backlog.

Tax deposit certificate interest rate rises

BY DAVID MARSH

INTEREST RATES are to be increased on Certificates of Tax Deposit issued by the Inland Revenue to speed up tax payments by individuals and companies.

In accordance with the general increase in interest rates since that of Minimum Lending Rate, the rate on deposits applied in payment of tax goes up to 16.5 per cent from 15 per cent, effective on Monday.

Interest rates on deposits withdrawn later for cash rise to 13 per cent from 12 per cent. That compares with a rate of return of 15 per cent from deposit accounts at the High Street clearing banks.

Deposits earn interest for a maximum of six years. For the first two years, the interest rate is that applying on the date of the deposit; for the second two, it is the rate on the second anniversary of that date; and for the third two-year period, the rate on the fourth anniversary.

Deposits may be made at Inland Revenue collecting offices throughout the country. Certificates may be tendered for a wide range of taxes, including income tax (other than PAYE and tax deducted from payments to sub-contractors), corporation tax (including advanced corporation tax), capital gains tax, capital transfer tax, development land tax, petroleum revenue tax and petroleum royalties.

The interest rates were last raised on November 5, by 1 percentage point. Total issues of certificates of tax deposit amounted to £1.65bn in the first nine months of this year although there were net surrenders over the last two quarters, partly because of erratic payments of petroleum revenue tax and rising interest rates on other investments.

Soviet Union's oil reserves

THE Financial Times Energy Review, published on Friday, contained the comment that Russia would exhaust its own proved reserves by next Thursday and total world reserves by mid-January. It should be pointed out that that humorous analysis was based on a consultant's report that the Soviet Union was producing oil at the rate of 11.9bn barrels a day (instead of the correct rate, 11.9m b/d).

Unfortunately, the sentence containing the consultant's figure was omitted from the published version of the Energy Review. We apologise for any confusion that may have caused.

UK NEWS

NEWS ANALYSIS ● MINERAL EXPLORATION BY PAUL CHEESEWRIGHT

Demands to streamline industry

THE GOVERNMENT is coming under increasing pressure to make mineral exploration and mine development easier for the domestic mining industry, now a shadow of its 19th century self.

The pressure, resulting from disparate worries which have exasperated the industry for years, found expression last week in London, when leading industry and academic figures discussed the availability of strategic minerals at a national symposium organised by the Institution of Mining and Metallurgy.

Three specific concerns emerged. The industry wants the Government to step in and bring order from the confusion surrounding mineral rights. It wants simpler procedures to gain planning permissions, and it seeks changes in the capital allowances system.

Recommendations along these lines have been passed to the Government. They follow a report on incentives for the local indsutry submitted to the Department of Industry a year ago by the institution and a series of papers sent in by the Cornish Chamber of Mines.

But the industry is not in a strong position to make itself heard. First, its own attitudes to the Government are ambivalent. It wants help, but it wants official intervention kept to the minimum. It has at its disposal £50m through the Mineral Exploration and Investment Grants Act, 1972, but by last March applications for the 35 per cent exploration grants had only reached £4m.

Second, it is a long time since the domestic non-energy mining industry was a significant economic force, except in Cornwall, so it does not have a loud voice in the corridors of power. The Cornish mines meet about 22 per cent of national tin needs, but beyond that the only significant production is in potash and fluorspar.

Third, nob ody wants a mine next door any more than they want a motorway. The intimacy of the countryside and the greater concern for preservation of the environment in the last 20 years means that mines—supposing the deposits are found—are low on the list for land use priorities.

These weaknesses would be less pronounced if the UK had a more clearly defined minerals procurement policy in common with other major importers like France, West Germany and Japan. Their concern about ensuring industry's access to adequate mineral supplies has led them into more vigorous programmes for the exploitation of domestic resources than has been apparent in the UK.

This is not to say that British Governments have been uninterested in securing supplies. But they have been content, at least until recently, to believe that the markets would cope.

Shortages

However, it is widely assumed that in the 1980s there could be shortages because of lack of investment during this decade. The civil war in Zaire last year, with its impact on cobalt supplies and prices, showed how immediately fragile the mineral supply lines are from abroad.

"All the major importing nations may require radically new procurement policies to cope with the changing structure of the world mining industry and to obtain adequate supplies in the medium-term at acceptable prices," Mr. Phillip Crowson, senior economist at Rio Tinto-Zinc, told the symposium.

The greater the Government's concern about secure supplies, the more important local resources will appear to be. This, in turn, will throw into sharper relief the background work presently being funded by the Department of Industry such as the minerals processing and extraction research undertaken at Warren Springs laboratory and the national geological survey being compiled by the Institute of Geological Sciences.

Further, increasing Government concern about the wider question of supplies provides the best immediate hope of help for the industry about its three specific worries.

The difficulty about mineral rights is discovering who owns whatever is under the land surface. Rights have often been fragmented over the centuries. There is no central register. If the state owned the mineral rights, in the same way as it owns the hydrocarbon rights, then, the industry argues, access would be simpler and exploration companies would not be constrained by fear of lengthy legal delays.

The issue of planning controls plunges the industry into the wider political arena. More than four years ago, the Stevens Committee on Minerals Planning Control suggested minerals cases should be handled by a special planning regime. This is what the industry wants, but is not what either the last or the present Governments have been prepared to concede.

The tax question is a matter of bringing the mining industry into line with manufacturing industry. The mining industry is permitted to amortise capital expenditure only over the life of the mine. What it asks of the Government is to allow it to write off capital expenditure against profits, if and when the profits are earned, as is the practice in manufacturing industry.

LONDON BUSINESS SCHOOL FORECAST

Britain faces low output and high inflation

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

LONDON BUSINESS SCHOOL FORECASTS

Percentage annual change in real terms

	1979	1980	1981	1982
Consumer spending	3.3	0.1	1.2	1.3
Private fixed investment (excluding dwellings)	0.7	−4.5	−4.2	2.2
Exports	3.8	−4.0	1.5	2.7
Imports	11.4	−1.1	0.4	3.2
Gross Domestic Product	2.0	−1.1	0.8	1.7
Consumer prices	12.3	15.5	11.2	8.1
Money supply (M3)	11.9	8.2	7.2	7.3
Current account (£m)	−1,130	−660	240	−340

THE UK faces a persistent double figure rate of price inflation and a depressed outlook for output over the next two years, according to the London Business School's Centre for Economic Forecasting.

The Centre publishes major economic forecasts three times a year. Its latest Economic Outlook, available from today, is generally gloomy. Mid-1979 levels of output are unlikely to be exceded until late 1981 and industrial profits will be hard hit by a combination of a low growth of output and a loss of competitiveness.

However, after 1981 the picture should improve if current fiscal and monetary policies are maintained. The rate of consumer price inflation should fall to single figures in 1982 and output should recover along with the expected pick-up in the world economy. Unemployment is, however, projected to rise steadily from an average adult total in Great Britain of 1.24m this year to 1.48m in 1981 and 1.86m in 1983.

The forecasts are not, however, quite as pessimistic about the prospects for the next 12 months as those produced by the Treasury last Thursday, or as some other non-Whitehall projections.

For instance, the Business School expects a drop in Gross Domestic Product of 1.1 per cent next year, and a current account deficit of £660m; the Treasury has forecast a decline in output of 2 per cent and a deficit of £2bn. In part, this contrast may be explained by the Business School's view that both exports and public spending may be rather stronger than the Treasury expects.

These contrasts are likely to be more than usually intriguing to many economists, since Professor Terry Burns, the director of the Centre for Economic Forecasting, will shortly become the Treasury's Chief Economic Adviser. He sets out some of his views in two special articles in the Outlook.

In conjunction with Dr. Alan Budd, the new director of the Centre for Economic Forecasting, Professor Burns examines the role of portfolio adjustments in financial markets. The authors argue that although there are apparently erratic short-term movements in the flows of financial assets, the behaviour of stocks of assets is stable over the longer term. They conclude that the growth of the money supply cannot be controlled independently of the public sector borrowing requirement.

In another article with Mr. Geoffrey Dicks of the Business School, Professor Burns examines the break in the late 1960s in the underlying rate of growth of the major industrial economies. A failure to slow down monetary growth in line with the slower potential rate of increase of output is suggested as a major cause of the high rate of inflation of the last decade.

Targets

In a separate economic viewpoint, Dr. Budd argues that the Government's economic strategy should be accompanied by announced targets for inflation and for the growth of the money supply over the medium-term. That decision should determine the feasible size of public sector borrowing.

Dr. Budd says that such targets would also imply constraints on the underlying size of public sector borrowing relative to output. This depends on the fiscal structure. The underlying path for borrowing should be published. Short-term fluctuations due to cyclical changes would be acceptable since they would not endanger the targets for monetary growth.

Dr. Budd argues that "the ultimate test of the strategy will be whether monetary growth and the rate of inflation come down in line with the Government's objectives. Adjustments will have to be made, but success will be far more likely if we are given an open guide to the steps the Government intends to follow in restoring financial stability."

In the detailed discussion of the forecasts, public sector borrowing is projected to rise from £9bn in the current financial year to £12.5bn in 1980-81. However, this is before taking account of the further £500m of asset sales proposed by the Government for next year.

The share of public spending in GDP is expected to be broadly unchanged, though spending will be held up next year by the recent pension increases and by higher unemployment benefits. The rate of growth of the money supply is projected to slacken from 10.5 per cent at the end of this year to 7.1 per cent by late 1980.

The sterling exchange rate is expected to decline steadily from its third quarter 1979 level of 71 (December 1971=100) to 64 by the fourth quarter of 1981.

The earnings outcome over the coming round is expected not to be significantly different from 1978-79. This implies some growth of real incomes in the immediate future but a reduction in the share of profits in GDP.

Both living standards and consumer spending are projected to be flat next year after sharp growth in the last two years.

"Economic Outlook," volume 4 number 2, available from Gower Press, Teakfield, 1 Westmead, Farnborough, Hampshire, GU14 7RU.

Plea for further large public spending cuts

BY DAVID MARSH

FURTHER large cuts in public spending are needed to help bring down the record level of interest rates, Mr. Walter Goldsmith, new director-general of the Institute of Directors, said at the weekend.

He said in Norwich that the Government should be more resolute in moving towards public spending cuts of about 10 per cent which would be enough to totally eliminate the public sector borrowing requirement.

Business had no real justification in complaining too loudly about the latest increases in interest rates. The Government had, after all, been elected on a firm platform for controlling inflation by restricting money supply.

Only at rates of about 17 per cent would savers gain any real return on their money, given current short-term projections of inflation, said Mr. Goldsmith.

But the Government bore much of the responsibility for the 17 per cent Minimum Lending Rate. Borrowing via issues of gilt-edged stock seemed to be the Treasury's main preoccupation.

By systematically tapping the institutions' long-term lending, it was forcing businesses and individuals to rely increasingly on bank finance, thereby increasing money supply and inflation.

Ministry grant for sea power

THE DEPARTMENT of Energy is giving a grant of £400,000 to a team at Edinburgh University to further the development of wave-powered electricity generators.

The team, in conjunction with the Scottish Office and the Laing construction group, has been working on "nodding ducks"—tear-shaped modules that move with the action of waves and generate electricity.

Most of the initial work has been on single "ducks" in narrow wave tanks. The next phase will involve problems associated with a string of ducks able to withstand rough seas and high waves

Ballot plan for building societies

By Tim Dickson

A CALL for building societies to introduce postal ballots for the election of directors is made in Roof, the magazine of the housing action group Shelter.

The authors say that postal ballots would reduce "the danger of boards being elected at annual general meetings dominated by building society employees and should in turn reduce the danger of chief general managers being able to run a society for decades, as happened with the Grays Building Society."

This is a reference to the late Grays chairman, Mr. Harold Jaggard, who in a report by the Chief Registrar of Friendly Societies was found to have defrauded the society of £7m over 40 years.

The article suggests that postal ballots should be enshined in the next Building Societies Act, which has been promised by Mr. Nigel Lawson, Financial Secretary to the Treasury.

High burglary rate prompts exhibition

BY ELAINE WILLIAMS

A 25 PER CENT increase in house burglary and personal theft this year has prompted the organisation of the first Home and Personal Safety Exhibition, to be held next September.

Mr. Victor Green, whose company is organising the exhibition, says the annual loss in residential areas through burglaries is now £40m per year.

Crime statistics published for 1978 by the Metropolitan Police and the Home Counties police show that in these two areas a total of 80,000 burglaries took place in homes and there were 8,000 crimes of violence against the person.

Mr. Green said thefts of motor cars, motor cycles, and bicycles—as well as thefts from cars, were also increasing at an alarming rate but the public was very badly informed about the way in which they could protect themselves and their homes.

The exhibition to be held at Olympia, will show the various types of alarms which can be fitted to homes and cars or even conceal, such as an "anti-mugger device" which makes a loud noise if an attack is made.

There are now many types of hidden car and bicycle alarms such as one model which monitors the condition of a car battery and can detect when a courtesy light is switched on, if, for example, a door is forced open, or when the engine compartment light is switched on.

Mr. Green is hoping that 100,000 people will attend the exhibition in September since he believes that the public was becoming increasingly concerned about safety and particularly anxious to cut down the likelihood of violent attacks.

Indian base for Rolls-Royce

ROLLS-ROYCE yesterday announced the formation of a wholly owned subsidiary named Rolls-Royce (India), with an office in New Delhi. The new company is intended to strengthen ties with India, Bangladesh, Sri Lanka, Nepal and Bhutan.

Unions plan for micro age

BY JOHN LLOYD

THE INCREASING use of micro-electronic technology in offices and factories will contribute heavily to the rate of unemployment in Western Europe—unless Governments pursue radically different social and employment policies.

This is a major conclusion of a report by the European Trade Union Institute on the impact of micro-electronics on employment, published in Brusels yesterday.

The report also recommends a radical response from trade unions to offset the worst effects of rapid change. This would include:

- An early involvement by trade unions in the bargaining process.
- Access to all possible information as early as possible.
- "No redundancy" agreements should be supplemented by other demands for the unemployed and school leavers.
- The avoidance of de-skilling coupled with the provision of re-training facilities.
- Trade unions must press for growth to be harnessed to social goals: non-market services must expand and leisure time increase.

The report rejects a free market approach to technological change, arguing that it would lead to continued and increased dominance of European industry by the U.S. and Japan.

"In the U.S. and Japan governments have controlled and aided the development of the electronic industry. Western European governments must do the same with their actions co-ordinated and encouraged at a European level."

Mr. Gunter Kopke, the Institute's director, said: "Technical progress does not necessarily result in social progress. On the contrary it can lead to social regression if working people's interests are sacrificed for the introduction of new technologies.

"Working people must be prepared at an early stage for both the dangers and the opportunities presented by the 'third technological revolution' of the 1980s so that they can control the developments through both political action and collective bargaining."

The report points to a number of areas—the watch, telecommunications and printing industries—where employment has fallen sharply in recent years because of the introduction of micro-electronic products and production processes.

Report: The Impact of Micro-electronics on employment in Western Europe in the 1980s: European Trade Union Institute, Brussels.

FT GROCERY PRICES INDEX

Fruit and vegetables more expensive

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

GROCERY prices have risen sharply this month, after four months of comparative stability, mainly as a result of the colder weather.

The Financial Times grocery prices index for November stood at 116.36, a rise of 1.41 points on the October index.

Although the main cause of the increase was higher fruit and vegetable prices along with a rise in prices of dairy produce, the pre-Christmas competitiveness among High Street supermarkets has led to packaged grocery prices remaining stable.

The FT grocery prices index is based on data collected by 25 shoppers who monitor a list of 100 grocery items each month in the same food stores of all types and sizes throughout the UK. The survey shows the trend in grocery prices rather than an indicator of the absolute level of food prices.

The fresh fruit and vegetable sector of the basket was up from £198.33 to £218.27. The increase had largely been expected due to the colder weather during November.

Last month, for example, the milder weather in early October led to the fresh fruit and vegetable section of the basket not rising in price as fast as would normally have been expected during the autumn. Tomatoes especially were more expensive in most shops, according to the FT shoppers.

With the cold weather likely to continue and Christmas rapidly approaching, the prices of most fresh fruit and vegetables are unlikely to come down.

The cold weather in November with increased demand has also led to a rise in egg prices, which caused the dairy produce sector of the basket to increase from £571.98 to £577.78 in total cost.

The dairy produce sector is likely to cost more next month as well when the full impact of the recent price rises announced by Goldenlay are reflected in the FT shopping basket.

Goldenlay, the country's biggest egg and marketing consortium, last week announced price rises by up to 5p a dozen. This was in most cases too late to be reflected in the November shopping basket.

The price rises are the first by the producers for several months. Egg producers have been losing money for the past 18 months because of over-supply which has led to lower shop prices. However, there are now signs that supplies may be falling.

The cost of the meat sector of the basket remained static in November, adding emphasis to the row within the trade about price cutting.

Mr. Colin Cullimore, managing director of Dewhursts, warned recently that price-cutting meat retailers were in danger of driving themselves out of business. Mr. Cullimore said that average retail meat prices have risen by only 7.2 per cent in the past year, which was less than half the rate of inflation.

At the same time, however, he said, producer, abbatoir, wholesaler, and retailer costs had all risen in line with inflation.

He also said that the total volume of meat available for consumption this year was virtually the same as in 1978, but that total supplies for 1980 were likely to be down.

The Asda superstores group claims that it has maintained its position as the cheapest grocery multiple according to new trade statistics.

Asda says that the latest grocery price survey carried out by Audits of Great Britain shows, for the 33rd consecutive month, that its grocery prices are lowest. Asda says that it is some 8.9 per cent cheaper than the average, and 3.2 per cent cheaper than its nearest rival.

Other recent price surveys, carried out by the Consumers' Association, suggest that while Asda is the cheapest overall, Tesco is consistently cheapest in most regions.

The FT grocery price index is copyright and may not be reproduced or used in any way without consent. All inquiries should be made to Lucinda Wetherall at the Financial Times.

FINANCIAL TIMES SHOPPING BASKET

NOVEMBER, 1979

	Nov. £	Oct. £
Dairy produce	577.78	571.98
Sugar, tea, coffee, sofe drinks	186.00	185.19
Bread, flour and cereals	264.81	265.60
Preserves and dry groceries	97.48	96.60
Sauces and pickles	45.49	45.67
Canned goods	171.20	169.06
Frozen foods	208.00	208.60
Meat, bacon, etc. (fresh)	491.34	491.34
Fruit and vegetables	218.27	198.33
Non-foods	212.99	210.99
Total	2,473.36	2,443.36

Index for November: 116.36

1978: March 100; April 101.77; May 103.11; June 104.18; July 102.41; August 101.89; September 101.90; October 101.77; November 103.67; December 105.10.

1979: January 108.54; February 108.65; March 109.12; April 110.88; May 113.59; June 116.02; July 114.79; August 114.16; September 114.17; October 114.95; November 116.36.

Left may seek NEDC split

By Christian Tyler, Labour Editor

LEFT-WINGERS on the TUC General Council are likely this week to seek the TUC's withdrawal from the National Economic Development Council.

They argue that there can be no meeting of minds with the present Government. Last week's dismissal of National Enterprise Board members has brought matters to a head. The council is the longest surviving tripartite institution.

The TUC, angered by Sir Keith Joseph's treatment of the board, will almost certainly decide not to nominate further trade union leaders to sit on it.

No TUC member on the council seems ready to precipitate a political row. Members will have an opportunity to decide their course at today's meeting of the TUC's "inner cabinet," the Finance and General Purposes Committee.

Whatever the misgivings in the Transport and General Workers' Union, Mr. Moss Evans, its general secretary, does not think that relations should be broken off.

He said yesterday that if the TUC decided to do that, he and his colleagues on the General Council would support it, but he thought that dialogue should continue with the Government.

Mr. Geoffrey Drain, of the National and Local Government Officers' Association, is convinced that the NEDC relationship should be kept alive.

MORE HOME NEWS ON PAGE 27

Hair raising

A REPORT from the Low Pay Unit out today calls for a better deal for 135,000 hairdressers

The Hairdressing Undertakings Wages Council meets today to discuss a new minimum rate which, for a hairdresser aged over 22 outside London, is likely to be £36—a 14.8 per cent rise.

Civil servants put £½m into fund to fight cuts

BY PHILIP BASSETT, LABOUR STAFF

MEMBERS of Britain's biggest civil service union have cleared the way for a sustained campaign against public expenditure cuts by voting three to one to put £500,000 into a fighting fund to support necessary industrial action.

The result of a ballot of members of the Civil and Public Services Association on a special transfer of funds to fight the cuts is expected to be officially announced today.

The report of the vote, after the counting of the ballot papers by the union's chartered accountants, shows the result as 72,274 in favour of the transfer and 23,198 against.

Union officials are likely to be pleased with the vote, not just because it gives the union a freer hand for further industrial action—the CPSA this year has spent more than £1.6m on disputes—but because about half the union's civil service members turned out in spite of alleged attempts by departmental leaders to obstruct the ballot.

Ministers are worried about the growing militancy of the civil service unions, and the CPSA and Society of Civil and Public Servants in particular.

Mr. Ken Thomas, CPSA general secretary, claimed last week that branch officials of the union had been obstructed when they tried to hand round ballot forms for the cash transfer.

The alleged attempts at obstruction seem to have hardened union members' resolve and made them more determined to vote.

Union officials are also likely to draw satisfaction from the decisive response to the issue of transferring money from one account to another. Under rule, such transfers can only be made after either a referendum or a special conference.

But those who voted against the transfer—and so against further official industrial action—still formed a substantial section of the ballot.

The determination of the predominantly Left-wing executive—and now many members of the union—to resist the cuts can be gauged by comparing the £500,000 with the £1m fighting fund set up by all nine civil service unions before last winter to oppose the Labour Government's 5 per cent limit on pay claims.

The injection of the £500,000 will bring the union's fighting fund to about £800,000 by the end of the year. The drawing of the money from the union's current account may force cuts in services to members.

Union wants ICI overtime cut

ICI shop stewards are being asked by the General and Municipal Workers' Union to cut the amount of overtime worked in the company in order to make secure existing jobs and create further new ones.

The union claims that by halving the amount of overtime worked throughout industry, an estimated 250,000 jobs could be created. If a 35-hour week were brought in a further 750,000 jobs would be made available.

Mr. David Warburton, GMWU national officer for chemicals, said the union understood that continuous processes necessitated a degree of overtime. The union was simply questioning whether overtime was becoming too systematic.

He also challenged the company's apparent position that job cuts were necessary to combat current problems and made it clear that any attempt by the company to introduce contract labour would be resisted.

Talks on coking coal steel dispute

BY ROBIN REEVES, WELSH CORRESPONDENT

INDUSTRIAL ACTION against the British Steel Corporation's stepping up of coking coal imports is to be discussed at a special conference of all the trade unions involved in Cardiff today.

Mr. Emlyn Williams, the South Wales miners' president, has won the support of dockers at Newport, Gwent, for blacking the unloading of an 18,000 tonnes shipment of U.S. coking coal destined for BSC's Llanwern steelworks. The coal is due to arrive aboard the carrier Maria Lemos next week.

It forms part of a planned increase of 300,000 tonnes in coking coal imports into South Wales by BSC between now and the end of March. The coal is available at around £10 a tonne cheaper than National Coal Board supplies and, as the corporation drives to break even financially by next March, it has declared it is in no position to continue effectively subsidising the domestic coking coal industry.

Besides the NUM, the talks will be attended by officials from the Transport and General Workers, the Iron and Steel Trades Confederation, the National Union of Blastfurnacemen, the National Union of Railwaymen, the National Union of Seamen, and the Merchant Navy and Airline Officers Association.

Scrap meals plan—teachers

MORE THAN 20,000 head teachers yesterday demanded that the Government abandon its plan to force schools to let pupils eat their own snack meals. They warned they will bar children from eating sandwich lunches if schools become "crummy snack-eries."

The 21,000-strong National Association of Head Teachers, representing more than two out of three State school heads in England and Wales, claims this will lead to chaos.

The association says "sandwich pupils" will have to be provided with a place to eat and storage space for lunch boxes—and someone will still have to clean up after meal breaks.

هكذا من الأصل

Building and Civil Engineering

£6m rail contract in Jordan

RECONSTRUCTION of the 25 km Manzil to El Hasa section of the Aqaba Railway in Jordan is to be undertaken by the Henry Boot-Trocon Joint Venture (Henry Boot Railway Engineering of Sheffield and Trans Orient Engineering and Contracting Company of Jordan). Value of the contract is £6m.

This section of the railway, on which work starts early next year, is 130 km south of Amman and will be used to carry phosphate from a new mill near Manzil.

Work to be carried out includes site clearance, removal of existing track and culverts, construction of earthworks with drainage and culverts, a new station complex with engineering facilities, together with renewal of the permanent way.

Consulting engineers are Rendel, Palmer and Tritton.

In the UK, Henry Boot Construction has won a £2m contract for the erection of new training facilities for the Manpower Services Commission at Ranmoor Hall, Sheffield.

Due to start on December 1, the contract calls for three blocks to provide office, training and sleeping accommodation.

The three units will be built of steel frame with brick and block walls, precast floors and slated mansard roofs.

£6.3m worth for Monk

HOUSING, office blocks, railway station roofing and road construction are included in a variety of construction projects totalling over £6.3m awarded to A. Monk and Co.

New office blocks, laboratory alterations, extensions to various buildings and associated external works are covered by a £5½m contract placed by Unilever Engineering Division at Port Sunlight, while at Peterborough, C. and F. Byren has awarded a £192,520 contract for 10 houses, garages, roads and sewers at Old Fletton.

Liverpool Street Station is the location for the use of the Monkradle mobile scaffolding system for roof glazing under a £127,987 contract awarded by British Rail (Eastern Region).

At Milton Keynes the Development Corporation has accepted a Monk tender valued at £501,274 for the construction of 700 metres of road and a subway.

Warehouse work for Willment

MAJOR EXTENSION of Freeman's mail order warehouse at Peterborough has been started by Willment Bros., under a contract worth nearly £4m. Over 200,000 square feet of extra space will be provided.

Buildings will be constructed with a conventional steel frame on pad foundations and will be clad with plastic coated steel sheeting and are planned to be in operation towards the end of 1980. Architects are Scott, Brownrigg and Turner.

Takes strain from train

BILLETS WHICH have been made by laminating thin sheets of wood veneers with all grains parallel are being used as rail timbers on British Rail's Charing Cross river bridge in London.

The material is called Micro-Lam, was developed in the United States and is distributed in the UK by Southcolne of Golden Green, Tonbridge, Kent (073 274 277). It is made in a press in which the veneers are coated with a waterproof phenolformaldehyde glue and then subjected to heat and pressure. When the finished product emerges from the press in the form of a billet it can be cut to any required length and width.

Ten metre lengths of 225 by 400 mm Micro-Lam have been supplied for use at Charing Cross, where they are laid in modules five deep (the five pieces being glued together) and support the rails longitudinally. Pandrol clips and base plates are used to lock the rails to the Micro-Lam supports, which are held in position by timber cleats and a holding down strap across the cleats. The Micro-Lam is expected to last for at least 25 years.

The material was submitted to rigorous testing at British Rail's Derby Research Centre and survived over 1m simulated vibrations, while Douglas Fir broke down at around 500,000.

Hospital in Cleveland

GEORGE FORDY and Son of Teesside has been awarded a £1.7m contract by the Nuffield Nursing Homes Trust to build The Cleveland Clinic, a new 30-bed independent hospital, at Norton, Stockton-on-Tees.

The fully-equipped hospital will include an air-conditioned operating theatre suite to the standards of the Lidwell Report.

Work has started and construction should be completed in 21 months.

Big Dubai hospital project

PREPARATIONS for the construction of a hospital for the Dubai Department of Health and Medical Services at Zabeel East, Dubai are well under way. Estimated cost of the first phase is about £28m.

UK quantity surveyors D. G. Jones and Partners are providing a full pre-contract service and bills of quantities. Tender documents have not yet been issued, but piling work has already been completed at a cost of about £¾m.

First phase of the project will be a two-storey 324-bed maternity and paediatric hospital with a floor area of 34,000 square metres and a 3,300 square metre central plant building. The air-conditioned building will have a reinforced concrete frame and blockwork walls.

Upton Associates are the building services engineering consultants and Schuster, Pechtold and Partners of West Germany are the architects and structural engineers.

Warehouses in Oldham by Totty

FOURTEEN warehouse units are to be constructed at the Central Trading Park, Oldham, for AC Developments Northern by the Totty Building Group. The contract is worth about £1.2m.

The brick and metal-clad, single-storey warehouse units will be erected in three separate blocks with a total accommodation of 72,000 sq ft. Most of the unit will include office accommodation.

Work on the contract, which includes access roads and car parks, has just begun and is scheduled for completion in a year's time.

A member of the Costain-Tarmac-HBM (CTH) team carries out measurements with the Tellurometer MA 100 electro-optic distance measurement system during the construction of the Thames Barrier.

Putting the barrier in its place

ADVANCED measurement techniques are now being used in the current construction stages of the Thames Barrier project, intended to provide—from 1982 onwards—protection from severe floods for some 45 square miles of low-lying but densely inhabited areas of London.

These techniques include the use of Tellurometer MA 100 electro-optical distance measuring methods, as well as laser and optical plummets.

Consulting engineers for the project are Rendel, Palmer and Tritton, working with civil engineering works contractors Costain-Tarmac-HBM.

Continuous survey operations are in progress for the correct siting of the scheme, which is for the installation of the world's largest moving flood barrier. These operations involve a seven-man team under the control of Costain et al and in collaboration with Rendel, Palmer and Tritton.

Probably crucial to the whole operation is the establishment and supervision of the barrier axis along a 564 metre baseline defined by two towers, one on each side of the river.

Nine piers, with the north and south abutments, will provide the supports for the gates which form the barrier.

When these piers are being sited, a tower is erected on the base concrete of the cofferdam within which the pier is to be set up. Precise distances from pier tower to and from north and south towers are determined by the Tellurometer which is the most accurate measuring device of its class.

Brewery distribution depot

THE CONTRACT to design and construct Tollemache and Cobbold Breweries' new central distribution warehouse on the Whitehouse Industrial Estate, Ipswich, has been awarded to Cementation Projects, a Trafalgar House Group company. Tenders were presented and work started within eight weeks.

Apart from W. J. Baker of Great Barton, Suffolk, which will carry out some sub-contracting work, all the companies involved will be from the Trafalgar House Group. Architects are Hubbard Ford and Partners. Cost of the warehouse will be £1.7m.

Another Trafalgar House company, Cementation Piling and Foundations has won £1½m worth of foundation work in Scotland.

The largest (£100,000) is for work at a new bonded warehouse for the Distillers Company at Bonnybridge.

Three jobs awarded to C. Bryant

THREE CONTRACTS totalling over £3.6m have been awarded to C. Bryant and Son's building division.

Work for Peterborough Development Corporation is worth £1.1m and involves the construction of an extension to a factory for Crosfield Electronics.

Second job, worth £2m, is for Telford Development Corporation, for the construction of 113 houses and bungalows, together with associated roads and sewers, and is scheduled for completion in 91 weeks.

Final contract, for Bryant Samuel, is worth £836,000 for the construction of an office block in Birmingham, and includes the demolition of adjacent buildings and the renovation and extension of buildings to provide two-storey office accommodation.

Many new homes in Scotland

OVER THE next two months, new private residential developments worth close on £10m will be started by Leech Homes (Scotland), which indicates that plans for a further £5½m worth of work of this type are being finalised for New Year starts.

At Polmont, 200 homes worth around £3m will be set up in a further stage of the company's local development. Crookston, Glasgow, will be the site for 120 homes for first-time buyers under a £2m scheme.

On a 6¼ acre site less than two miles from the centre of Edinburgh, 40 executive houses worth £1½m are planned and, for the same overall cost, 100 homes are to go up at Head of Muir.

For 48 villas on a site near the Glenmavis golf course, the company has indicated a figure of £1.3m. Meanwhile, it is particularly happy about a £½m contract for 30 flats in Motherwell, a "first-ever" area.

Awards to J. M. Jones

INCLUDED IN new contracts for J. M. Jones and Sons of Maidenhead are five projects for its associate company, Markham Developments: two jobs at Bristol for factories and offices total about £½m, one at Lewisham, London, is worth £¼m and two in London, E.3, amount to about £600,000.

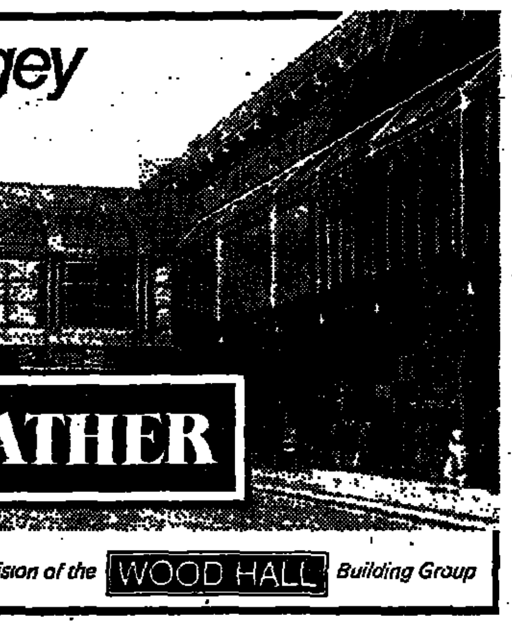
Alterations at Feltham, Middlesex, for the new headquarters building for Chubb and Son have been negotiated at around £700,000.

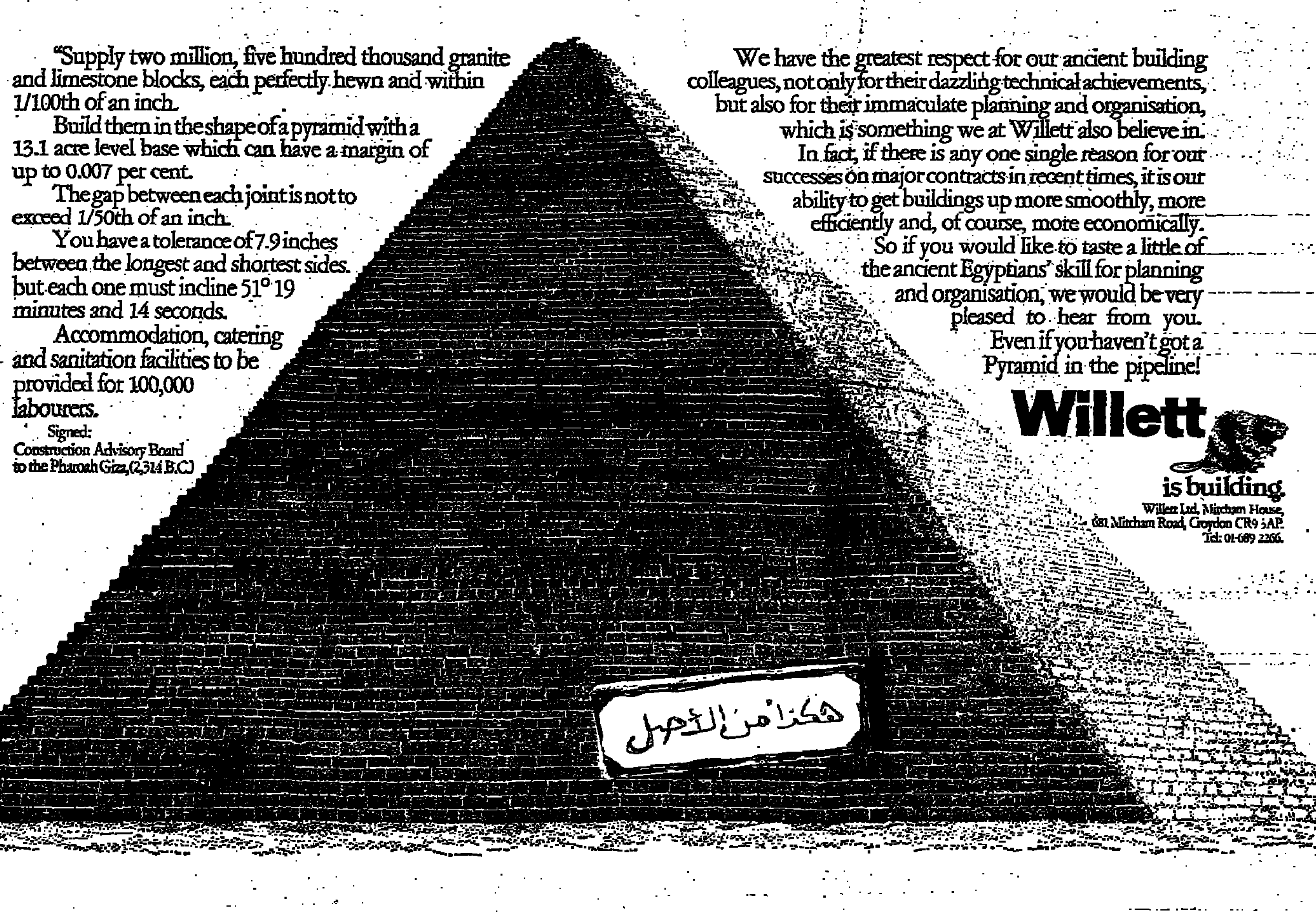
Also in Middlesex, at Brentford, for A.G.A. Navigation Aids, is a contract for £277,000 and another worth £100,000 has been awarded by Firmenich and Co. for conversion of its factory in Hayes Road, Southall.

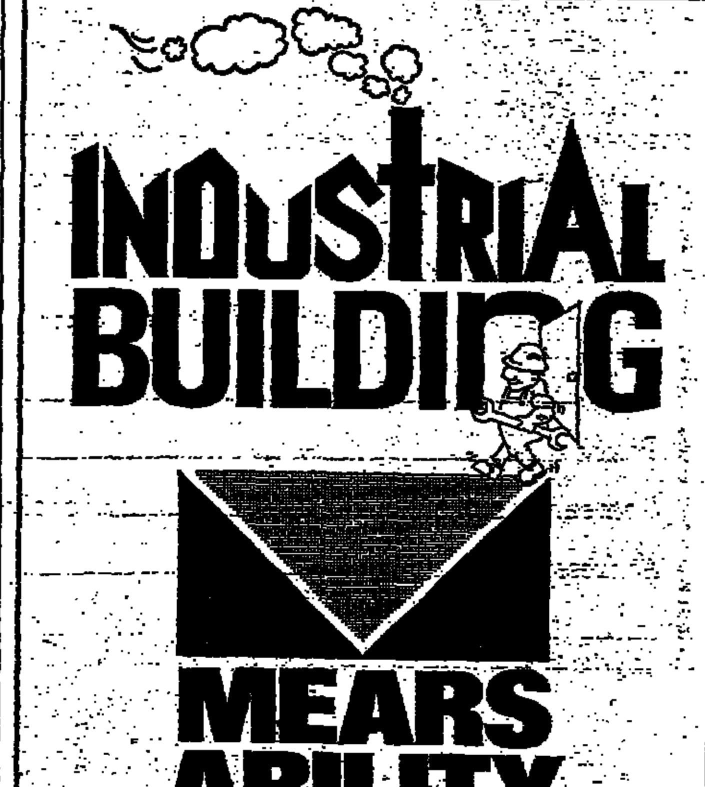
IN BRIEF

● Taylor Woodrow has a £470,000 contract for the construction of a leisure complex at Livingston Regional Centre, Livingston, West Lothian, awarded by Caledonian Associated Cinemas.

● Reconstruction of premises at 3/4 Onslow Gardens, South Kensington, London, into luxury flats, is to be carried out by Bovis for Zablow. Work is valued at about £336,000.







South Korea's chance of a stabler and more democratic future

BY CHARLES SMITH, recently in Seoul

WHEN PRESIDENT PARK was assassinated in Seoul last month by the head of the Korean Central Intelligence Agency it looked for a time as if the façade of prosperity and stability which had been painstakingly erected during his 18 years' rule might have been shattered. What actually seems to have happened is almost the exact opposite.

The capital city of Seoul, where a fifth of the population live and much more than a fifth of GNP is produced, has visibly relaxed since the death of the authoritarian President (despite the fact that the imposition of martial law has theoretically made Koreans temporarily even less free than they were before).

The mood is not euphoric—if only because tight Press censorship prevents most people from knowing precisely how much may be about to change. But it does look as if the "passing of the Leader" (to use the phrase favoured by the Government - controlled publications which still disseminate much of Korea's news and views) may have opened the way for a constructive new era.

The kind of future Korea might have faced if Park had not been shot by the chief of his own secret police can be appreciated by a glance at the situation which prevailed on the eve of the assassination. President Park was 62 at the time of his death and could have held *power indefinitely under the* terms of the constitution which he himself introduced in 1972 (the so-called Yushin or Revitalising Reform Constitution).

Its main features were the direct election of the president and a nomination system which ensured the Government a permanent majority in the National Assembly. The constitution was protected from public criticism or debate by an emergency decree (the so-called Emergency Measure Number 9) which Park introduced in 1975. Under EM9 criticism of Yushin became an offence which could be punished with indefinite imprisonment.

Despite his entrenched constitutional position Park's actual hold on power had weakened drastically before his death. The President was at his strongest in the later 1960s when the emergence of the Korean economic miracle under his leadership gave the country an exhilarating sense of achievement. His popularity waned rapidly in the early 1970s as basic economic necessities came to be taken for granted and the less attractive (and more dictatorial) aspects of his rule began to attract notice.

During the first nine months of 1979, following a set-back for the ruling party in elections to the National Assembly last December, a groundswell of opposition to Park was building up which (in the opinion of unbiased Korean observers) could

have led eventually to something approaching domestic chaos.

Because Park was losing his grip on power, and because his advisers were increasingly failing to convey to him the seriousness of the situation he faced, his death can be seen (and probably is seen by most Koreans) as a personal tragedy but as no *particular misfortune for the* country. Park was mourned and buried as a national hero, but within 48 hours of his death it was an open secret that the authoritarian system over which he had presided would be swept away. The system is not, in fact, being abolished without some farewell formalities. It will be used once again in December when an interim President (almost certainly Mr. Choi Kyu-hah who was Park's Prime Minister and who is now acting President) will be "elected" under the existing indirect constitutional procedures.

The interim President's job will be to act as a caretaker while the elected members of the National Assembly tackle the task of amending the constitution. The amendments will be designed to produce direct elections to the Presidency and to reduce the heavy concentration of power in the presidency which gave a certain brittleness to the old system. There is also a strong possibility that, for the first time in almost two decades, there will be elected local government.

The mood of confidence in Seoul that all these changes can be carried out smoothly seems odd until one realises that those involved in the process of political change have an overwhelming interest in minimising the number of bumps on the road towards a form of democracy. The reason is the prevailing fear that, if the domestic political situation gets out of control, the Communist regime in North Korea might seize the opportunity to intervene.

South Korea's 35m people are divided on many issues (including the merits or otherwise of the Park regime), but they appear to be unanimous in not wanting to come under Communist rule. The army (which has wielded considerable behind the scenes power since Park's death) is more concerned than most with the North Korean "menace" and seems to have been using its influence on the politicians to exercise moderation.

Those politicians who have received army warnings not to rock the boat undoubtedly include the leaders of the former ruling Democratic Republican Party, whose new leader, Mr. Kim Jong-pil, was induced not to run for the interim Presidency next month (though he will certainly run for President if and when direct elections are held under the new constitution).

On the opposition side of politics the mood also appears more cautious than in the closing days of the Park era. Mr. Kim Young-sam, the leader of the New Democratic Party, who spearheaded the opposition to President Park, has officially criticised the (Army-inspired) plan to use the Yushin constitution once more for next month's interim presidential election, but is saying privately that he will not be dissatisfied if the job of amending the constitution is tackled as soon as the interim election is over.

Mr. Kim Young-sam's colleague (and possible future rival as opposition leader), Mr. Kim Dae-jung, remains under house arrest and incommunicado in recognition of the fact that President Park took him more seriously as rival for the leadership than anyone else in sight. His known attitudes suggest, however, that he will be willing to go along with a step-by-step approach to constitutional reform provided that the end result is a free presidential election in which both sides have a chance.

Mr. Choi Kyu-hah (right), the acting president; and Mr. Kim Young-sam, spearhead of the opposition to the late President Park.

If the DRP and the NDP are in relative harmony over the procedure to be used for dismantling the Park system, they are certainly not in harmony over the speed at which the job should be done. The DRP, obviously hoping to recoup its losses after the setback to its prestige caused by the President's death, says the transition period should last over one year while the NDP would prefer six months (but indicates privately that it would tolerate eight).

Another area of potential friction between the two parties relates to the links that join the Korean political world with other portions of the ruling elite. The DRP leadership is closely intertwined with the top echelons of the bureaucracy, most of whose members owe their jobs to having been personally selected by President Park (and all of whom remain firmly in place).

If the DRP were returned to power it would probably confirm most of these individuals in their present positions. The New Democratic Party would be more likely to conduct a clean sweep but may well find itself being wooed by existing office holders. It may also find itself being courted by the powerful and exceedingly wealthy handful of leading businessmen who were virtually hand-picked by the late President to implement his industrial development programme.

Conflicts between the NDP and the DRP do not, as of now, extend to economic policy as such for the very simple reason that the politicians barely gave economic issues a thought during the battle to wrest political freedoms from President Park. Korea's bureaucratically administered high-growth, export-orientated, development strategy will thus continue for the next 12 months at the very least.

The strategy will be tempered by changes in external conditions such as the difficulty the country may have in boosting its exports as much as it might wish during next year's expected recession in Japan and the industrial West. A radical departure from the high growth policies (which have meant GNP growth rates of 10-12 per cent in past years and may bring growth down to 7-9 per cent in the next 18 months) could be difficult for one very simple reason. The labour force is growing so rapidly, by over 3 per cent p.a. at present, that the economy must grow quickly in order to find enough jobs for young people entering the labour market.

What will also continue is Korea's policy of relying heavily on overseas borrowing to support its domestic development programme. The 1980 borrowing programme (drawn up before President Park's death but still valid) calls for the country to raise $4.7bn through syndicated loans and overseas bond issues. The Koreans know that the political uncertainties of the past month would cost them a bit extra on the rates they would have to pay if they went to the market for substantial loans today. The hope is, however, that if things go smoothly for the next month or two international bankers will look as kindly on Korea as they did during the Park era.

A return of a form of democracy to Korea after 1[illegible] years of authoritarian and highly centralised rule could bring its own problems. Intense regional rivalries such as those between the Cholla region (in the south-west) and Kyongsam (in the south-east) which were suppressed under Park could well flare up again and complicate the process of economic decision making.

Unpopular but efficient solutions to economic problems, such as Park's strategy of relying overwhelmingly on the development of nuclear power to meet Korea's energy needs, could also prove far more difficult to implement. Korea under a form of democratic rule will be a less efficient country than under Park and could even turn out to be prone to the disease of factionalism that bedevils Japanese politics. It should also, however, be more stable—at least than the Park regime was in its final years.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

How to buy equipment

INTENDING machine tool buyers today are faced with a great variety of makes and types of machine tool, all claiming to offer advantages over the rest of the field. The task of evaluating all the various offerings is a formidable one. All too often the actual decision to buy is made on hunch, or as the result of some casual encounter, frequently leading to disappointment.

With a big machine tool exhibition approaching—MACH 80, to be held at the National Exhibition Centre in April 1980—many users of machine tools will be facing this very problem.

In order to assist users of machine tools, particularly in smaller companies, to plan their approach to the purchasing of new equipment, the Machine Tool Industry Research Association, in association with the Institution of Production Engineers, is organising a one-day seminar at the Cafe Royal, London, on Thursday, March 27, 1980. This will review methods and approaches in this most difficult but important area of managerial responsibility and is designed to help managing directors, works managers et al.

Advice will be given on preparation of a specification of requirements, which can be used to narrow down the choice of machine tool to manageable proportions, and on methods of systematic evaluation to place the contenders in some sort of order of technical merit. The parallel financial evaluation which can then be applied to likely candidates will also be described to provide further evidence on which a final choice can be made.

Methods recommended and the sources of the necessary data will be reviewed by speakers from MTIRA who will also give some consideration to the broader issues of stand-alone or linked machines, and to current trends in machine tool evolution. A speaker from the machine tool industry will review the assistance potential customers will describe their companies' approaches to the problems of selection and justification.

Machine Tool Industry Research Association, Hulley Road, Macclesfield, Cheshire, SK10 2NE (0625 25421).

Grinding profile seen on screen

MADE IN Switzerland, the Doebeli OP 125 optical profile grinding machine is now available in the UK from Traub Automatics (UK), 249, Cricklewood Broadway, London NW2 6NX (01-452 7852).

The machine permits simple, fast grinding of all profiles by means of flat form, flat form relief, axial form and radial circular methods.

Batch production is possible by virtue of the fact that the cross slide can be controlled in both X and Y axes via a stepping motor system. Manual operation is also provided by micrometer screw adjustment.

The machine incorporates an overhead projection screen giving a choice of 10, 20 or 50 magnification, enabling work to be produced to very great accuracy.

A useful facility is the swivelling grinding head which permits plunge grinding on both sides of the workpiece. All tool forms can be made without templates, an important aspect claims Traub, permitting "great savings."

● PLASTICS

Beating the drum market

TECHNOLOGY FOR the manufacturer of blow moulded plastic drums was alien to Bowater Drums in the early part of this decade. The company entered the market via a licensing agreement with Mauser of West Germany.

Acceptance of the German container designs in the UK market was slow, and development of the market was further hampered by the severe price increases of plastics polymer in 1973 following the oil price increases. There were also handling problems for the larger size drums because most of the mechanical equipment then in use was geared for coping with the established 45 gallon steel drum.

This is substantiated in the launching of the company's L Ring drum which is produced on a machine bought in 1974 but now overhauled and modified to a standard which, the company claims, is probably unequalled in respect of technical innovations.

New powder supply system has been added to accurately meter the proportions of virgin powder, regranulated material and colour masterbatch.

New extruder screws have been fitted to ensure a good mix of the melt, and new temperature control systems have been incorporated.

Also fitted is a new accumulator which should ensure optimum conditions of storage of the melt in the head in order to produce a uniform and reproducible parison.

Hunkar parison programmer, and the flexible nozzle on the die-set, guarantee correct distribution of material both circumferentially and length-wise in the parison, and the hydraulic system has been improved and up-rated to ensure accurate mould closing.

Thus, new associated technologies now make it possible to carry out the combined blow moulding and compression moulding accurately and reproducibly.

Today's drum—The L Ring—is a very different container from the one originally conceived by Mauser. It combines the ease of handling and stacking strength of steel with the lightness and economy of plastic and, admits Bowater, must be a threat to the traditional 45 gallon steel drum.

Blow moulded from high density, high molecular weight polyethylene, it is a robust, resilient container with high impact strength, good resistance to environmental stress cracking and gas or vapour permeation and will be used for packaging all kinds of high value liquid products, including hazardous chemicals.

With a net capacity of 207 litres, and a minimum gross capacity of 213 litres, it is said to compare favourably with the equivalent composite steel drum but, because it is smaller externally it actually enables greater utilisation of available space, particularly when containerised transport is involved.

The new drums can be stacked four abreast and two high into a 20 feet ISO container to provide a payload of 80 drums, compared with a payload of only 72 for the equivalent steel drum.

Heavy duty model can also be stacked up to four high on a double-sided pallet while, with the standard duty version, three high stacking can be safely used.

In typical environments, the drums can be used with conventional mechanical devices, such as the parrot beak and squeeze clamp fork truck attachments, can hooks and drum trolleys.

Its degree of compatibility with existing handling systems is a certain advantage to marketing because not only will it allow users to switch from steel drums without needing a major re-equipment programme—it means that while a transition takes place, customers can operate both L Ring drums and steel drums together on the same filling, handling and stacking lines.

Initial production will be 180,000 drums this year, with bigger targets once the line is fully geared up.

Bowater Drums, Disley, Stockport, Cheshire (06632 2715).

DEBORAH PICKERING

● COMMUNICATIONS

Keeping in touch made easier

POCKETFONE P5001 can be used as a "bodyworn" or hand-held unit without impairing performance in either mode. Operational flexibility is extended by ready adaptability for use inside vehicles. The "pocketfone" can be locked into the adaptor for security, yet is ready for reversion to its portable role at any time.

Pye says this first British-designed and manufactured AM portable of fully modular construction, is available in bands in the frequency range 68-174 MHz. Single, and up to six-channel versions are available. Transmitter output power of the P5001 is 1W.

Options allow system expansion or change with minimal redundancy and expense. Space is provided in the unit for the addition of tone-signalling options. Among the varieties available are 5 tone encode/ decode to the standard European systems, Pyecall two tone decode, tonelock encode/ decode, or a single tone encoder to provide switching of a talk-through repeater from the portable.

There is a choice of easily interchangeable telescopic, coiled whip or pendant antennas to suit various applications.

Pye Telecommunications, St. Andrews Road, Cambridge CB4 1DW Cambridge (0223) 61222.

● QUALITY CONTROL

Helps save pricey product

EDDY CURRENT testing of stainless steel tube is helping to improve quality and providing greater production flexibility for a British manufacturer of mineral-embedded heating elements.

H. A. Birch and Co. is monitoring seam-welded stainless steel tube immediately it leaves the tube welding machine in the company's Cannock factory, ensuring that the weld meets the required standards before the tube is used on the heater production lines. Rejection of defective tube saves subsequent manufacturing time and cost.

As an added advantage, immediate detection of a faulty length of weld means that the tube welding machine can be adjusted before further defective tube is produced, thus minimising scrap costs.

On-line monitoring of tube production is carried out using the latest Pruftechnik Eddychek Lab 2 equipment. It is one of the first such installations in the UK and is capable of monitoring tubes for the production of 25,000 to 30,000 heater elements per week.

Tube is continuously formed from flat strip which is passed over rollers and then welded. After going through a final sizing roller, the tube passes through the Eddychek test coil.

Defects are detected by electronically comparing measurements from adjacent points on the weld. The resulting signals are displayed visually alongside a preset standard, which determines the level of acceptance on a simple electronic bar chart, consisting of two vertical illuminated columns driven by an amplitude analyser. The better the weld, the lower the signal. If the signal level exceeds the preset standard, indicating that the quality of the weld is unacceptable, a warning is given both visually and audibly. This also activates a spray marker or tube sorter which identifies the defective length of tube.

Details of the Eddychek from Baugh and Weedon, Widemarsh Street, Hereford HR4 9EZ, 0432 67671.

● DATA PROCESSING

Cheaper business system

ALREADY IN the service bureau business and a supplier of minicomputers and software, Aylesford Computer Systems and Equipment, part of the Reed Group, is now also to offer a microcomputer hardware/ software package called Aquarius, based on the North Star Horizon micro.

The offering is priced at £5,950. On the hardware side it consists of 48k processor with 365k of discs, a visual display unit, and printer.

Software includes payroll for up to 450 personnel, invoicing for up to 400 accounts, bought nominal and sales ledgers and a disc operating system with basic language for use with the standard application software or with an operator's own programs.

More from Orchard Villa, New Hythe House, Aylesford, Kent ME20 7PB (0622 79972).

● ENERGY

Power plant can float to its site

FROM FRANCE, the U.S. subsidiary of the Alsthom-Atlantique Group, Alsthom-Atlantic Inc., of New York, is to supply a 72 MW hydroelectric power plant for installation on the Ohio River at Vanceburg, Kentucky.

The order is worth U.S.$ 47m and the items making up the plant (hydraulic turbines, generators and so on) will be shipped from Alsthom-Atlantique's Saint-Nazaire shipyard. They will be mounted on a structure 62 metres long, 44 metres wide and 23 metres high and the whole lot put on a barge which will be towed first to New Orleans and then 2,600 km up the Mississippi and the Ohio before integration into a dam. Electricity production is scheduled to start in 1982.

This method of supplying power plants is claimed to lower costs and reduce civil engineering work.

● AUTOMATION

Batches counted by a new method

A NEW approach to batch counting is achieving time savings for textile machinery manufacturer Platt Saco Lowell.

At its Accrington factory, the company has switched from traditional methods to digital electronic counting for making up component kits for textile-machine frames. As a result, the time for each counting operation has been cut by one to two minutes. Since hundreds of operations are carried out weekly, the accumulated saving can exceed 20 manhours a week.

Equally important, the unequivocal precision of digital counting has virtually eliminated the possibility of components being omitted from kits. There is little danger of a machine standing idle for want of a part.

The company is using three high-speed electronic counting machines of the type recently introduced by W and T Avery. Installed in the main stores, they are essentially similar in design. Each consists of a digital weighing machine linked to a microprocessor-based calculator programmed to give an immediate six-figure digital "count."

To cope with a variety of components weights, all three are dual-range models. Two are bench-mounted machines in capacities of 12,000 g/1,200 g and the third is a floor-level platform machine of 1,200 kg/ 120 kg capacity. All are equipped with presskey-operated tare systems (subtractive to full capacity) to enable container weights to be deducted.

They are used for making up kits of components for machine frames delivered to customers in stripped-down form. A typical kit might consist of up to 200 different components (weighing anything from a few grams to 4 or 5 kg each) in quantities from 20 to 500. Between 30 and 40 kits are assembled each fortnight.

Batches can be made up in very quick succession. Once the system has been set for the component, any quantity can be counted out rapidly and accurately.

W and T Avery, Smethwick, Worley, West Midlands. 021-558 1112.

● HANDLING

Lifts the goods

DESIGNED FOR use in single-storey warehouse areas in conjunction with racking systems is a type of electrohydraulic goods-only lift, designated the model 401, available from O & K Lifts, Keighley, West Yorkshire (0535 605533).

It is capable of servicing three levels with floor-to-floor heights of about 8 feet 6 inches and has a maximum capacity of 500 kg.

Major feature is that it is constructed on a modular block principle which means that the lift is basically self-supporting as well as speeding and simplifying installation.

It arrives on site in three sections, each fully fabricated and pre-wired, and can be erected on any suitably rated concrete floor without requiring a pit.

With the aid of a fork-lift truck, the three sections are simply stacked one on top of the other, with the bottom unit housing the lift car, hydraulic pump and ram. Total installation is effected within a couple of days.

Several units, says the company, are already in service with supermarkets and more have been ordered for new stores which are currently in progress.

Sharp cut in packing costs

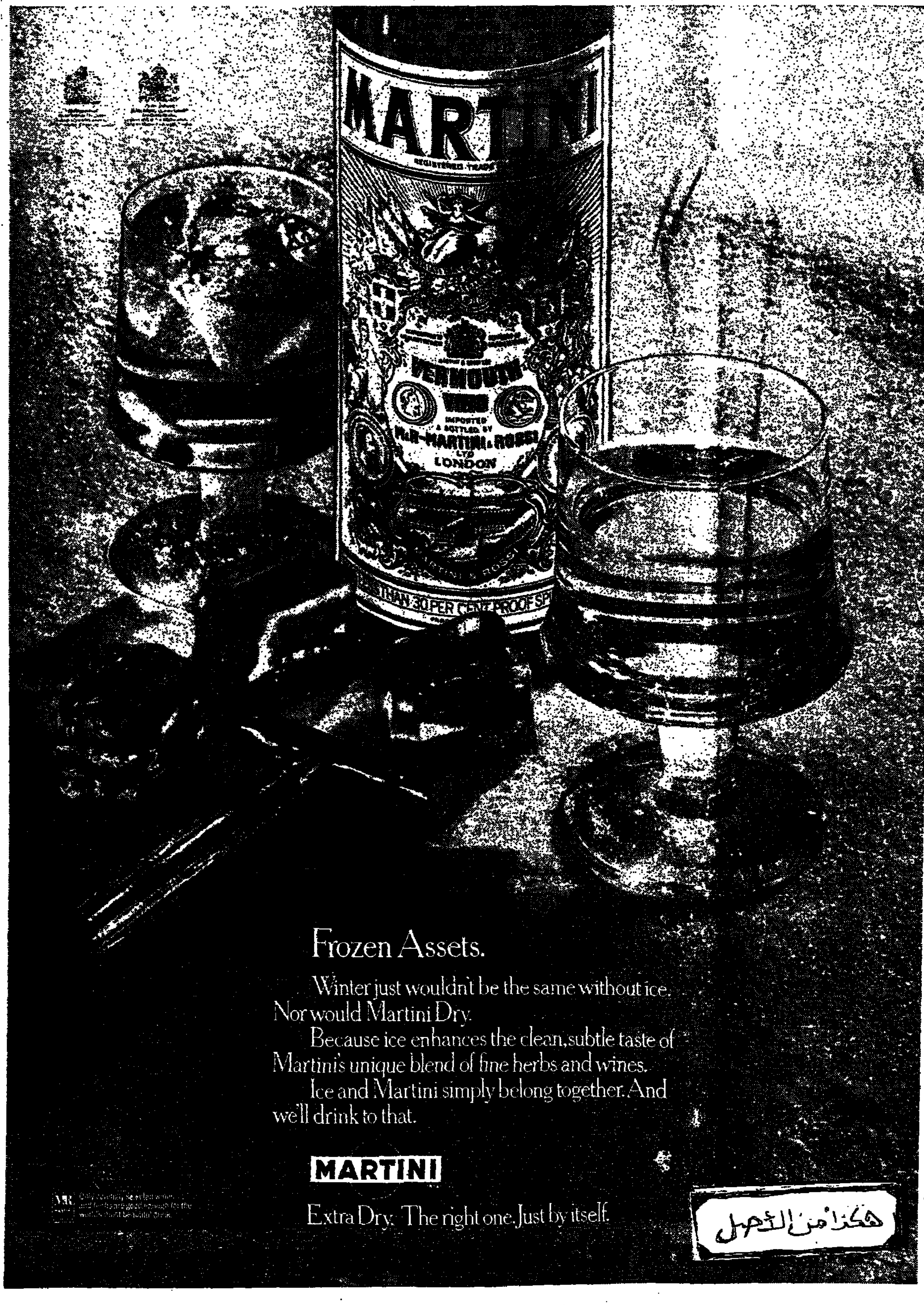
AN AUTOMATIC portable stabilisation system for use on any floor level conveyor line at considerable saving has been introduced by Nordson—manufacturer of hot melt adhesive applicators.

With the recent increases in stretch wrap film prices, a large number of producers are converting to hot melt pallet stabilisation to reduce costs. In this, small beads of thermoplastic material are deposited on the top of the cases or sacks to provide a tough, anti-slip surface without the need for additional strapping or film wrapping.

Benefits include: low cost of material—an average pallet load can be effectively secured for 10p or less; low capital investment; loads can be partially de-stacked with the remainder left secure; restacking is possible without further adhesive application and the low bond adhesive is formulated to allow load de-stacking with little or no fibre tear.

Direct labour is not involved and the developer says cost savings of up to 90 per cent are possible compared to shrink film or strapping.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*



FINANCIAL TIMES SURVEY

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SINGAPORE

Radical changes are taking place in the island, one of the most stable parts of Asia. Lee Kuan Yew's government is promoting a far-reaching expansion of higher-technology industries to create more prosperity. And the invasion of Kampuchea has brought Singapore to the fore ront of international policy-making for the region and altered South East Asia's attitudes to China.

Stable regime seeks change

By David Dodwell

LEE KUAN YEW, Singapore's Prime Minister, has now been 20 years in power. In that time he has transformed his tiny and once volatile island into one of the stablest and most affluent corners of Asia.

People now talk of Lee as a grand old man of Asian politics—though he is still only in his late fifties. They refer to his regime in Confucian terms, enviously acknowledging that he carries with him the "mandate of heaven." Singapore has ever been referred to as the emergent middle kingdom of South East Asia.

Whether Lee approves of this imagery is open to question—his persistent suspicion of mainland China must leave room for doubt. But the repeated allusions to economic and political stability disguise quite radical changes that are now taking place.

One major policy shift has been the so-called second industrial revolution, which embodies *an average 20 per cent boost in* wages and a declaration of economic warfare on labour-intensive industry. Equally important is Singapore's increasingly vocal role in the politics of South East Asia: Singapore is becoming the region's "fixer."

The first testing of a new generation of potential leaders also marks a new phase in Lee's quest for a successor—a quest which has been given a new sense of urgency with the death of South Korea's Park Chung Hee.

The second industrial revolution is a fine illustration of the Lee government at its perceptive best. For some years Lee has been an outspoken critic of Western governments who resort to protectionism rather than recognise that they have lost their competitive advantage in a particular manufacturing activity and move on.

To his credit, Lee has put his money where his mouth is. *Wages in Singapore have risen* to the point where companies no longer can compete effectively with low-cost producers *in labour-intensive* manufacturing sectors such as the textile and garment and simple electronics industries. The new *policy, involving* an overall 20 per cent rise in wages this year, and similar increases in the two or three years ahead, is designed to shake out such industries.

In their stead, Lee wants to see higher-technology industires, which are capital intensive, offer more value-added work per employee, and guarantee steady growth in workers' incomes in the years ahead.

Goh Chok Tong, Minister for *Trade and Industry and one of* Lee's "bright young men," insists that there is nothing new in the policy: it was ready in 1973 but was shelved as recession followed the oil crisis.

There are many other good reasons for the change. Not least, Singapore suffers from a chronic labour shortage which in recent years has required the large-scale import of "guest workers." More than 100,000 of them now work in Singapore—about 10 per cent of the labour force—and they are arriving at a rate of 20,000 a year.

Alarm

While they came almost exclusively from Malaysia, there was no evident concern. But employers are now having to sweep further afield, to Bangladesh, Sri Lanka and India, and the Government is mildly alarmed at the possible long-term consequences of such a trend. A shift away from labour-intensive industry is seen as a way of staunching this influx.

Goh Keng Swee, now deputy Prime Minister, said in his eve of National Day speech: "The purpose of the exercise is not to give more pay for the same work, much less more pay for less work.

"It is more pay for better work and more skilled work. The adjustment process can be unpleasant for some, employees as well as employers. Workers may lose their jobs and have to be retrained for new jobs. Employers unable to adapt to higher labour cost will have to close down their business. In this way, workers will be released to industries which can employ them more profitably."


Lee Kuan Yew (left), Prime Minister, and Goh Keng Swee, now deputy Prime Minister, architects of the island's "second industrial revolution"

With major investments in the pipeline — S$4.6bn petrochemical plant and two massive convention and shopping centres —the Government hopes it will be able to absorb displaced labour with comparative ease. It also plans heavy investment in skills training: 2 per cent of the recent wage increase will be channelled directly into the newly-created Skills Development Fund—a sum of about S$115m.

Ironically, the industrial revolution now called for has become necessary because of the country's remarkable economic probity in the past. A combination of low annual wage increases and low inflation—projected at about 6 per cent this year—now makes Singapore *highly* competitive against the other emergent industrial nations of Asia: Taiwan, South Korea and Hong Kong. Economic planners probably feel that they can boost wages a long way before losing this competitive edge.

While at home the industrial revolution has been a major preoccupation, it has for most of the year been overshadowed by developments in Kampuchea. The Singapore government has played a major part in international debates on the various crises the war has thrown up. And it has been leading architect of the policy adopted by the states belonging to ASEAN (Association of South East Asian Nations) — Thailand, Malaysia, Singapore, Indonesia and the Philippines.

Mr. Sinnathamby Rajaratnam, Singapore's Foreign Minister, was forecasting a Vietnamese invasion of Kampuchea more than 13 months ago. During and since the invasion he has been one of Vietnam's most relentless and outspoken critics.

As thousands of hapless Vietnamese boat people fled into the South China Sea, Singapore was consistently the least flexible of nearby countries in its refusal to give sanctuary to them. Mr. Rajaratnam's case, presented at the ASEAN summit in Bali in May, was probably instrumental in hardening the resolve of governments in Malaysia, Thailand and Indonesia to take a similar stand.

Harsh though the position seemed at the time— and boat people no doubt drowned at sea as a result of this policy—it has been justified in the longer term. Singapore argued that the problem was an international one requiring international action, and that the Western powers would be complacent as long as Vietnam's neighbours managed to cope.

The aid effort mounted in Geneva, and continuing recently as thousands of Kampucheans have fled into Eastern Thailand for sanctuary, would have taken much longer to mount had the ASEAN nations not forced the West's hand by taking precipitate action.

Singapore *now* has just 1,500 refugees on its territory, and all of them have been guaranteed onward destinations. But *concern* over *Indo-China* has shifted focus, back to the war itself and to the mounting pressure on Thailand, which is *trying to cope* with thousands of diseased and malnourished refugees and at the same time struggling to prevent the conflict *from spilling into* Thai territory.

In its time of need Thailand finds its neighbours almost *powerless. Singapore can offer* neither economic nor military assistance — certainly none on the scale needed to face a massive and battle-hardened Vietnamese army. So Singapore is doing what it can—which mainly means shouting about the issue in every possible international forum.

Singapore has been a prime mover in the various United Nations debates on Kampuchea, has been instrumental in defining ASEAN policy, and was the author of the joint ASEAN motion put before the UN two weeks ago.

Initiatives

Since the United States has held back from any specific policy initiatives of its own, simply agreeing to support ASEAN *in any position* it takes, this effectively means that Singapore is playing an important part in defining U.S. policy in the region. A *constant* stream of diplomats and world leaders has passed through Singapore in the past year, adding greatly to its stature and to that of the ASEAN group as a whole.

Singapore from the outset has been a passionate

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BASIC STATISTICS

Area	226.4 sq. miles
Population	2.33m in 1978
GNP (1978)	S$17,406m
per capita	S$7,470.386
TRADE (1978)	
Exports	S$22,986m
Imports	S$29,602m
UK TRADE (1978)	
Imports from UK	£255.90m
Exports to UK	£116.74m
Currency	£=S$4.613 (Nov. 12, 1979)

A forced march to high wages and productivity

SINGAPORE'S ECONOMY is strong and it is stable. But it is not exactly the dynamo that many, in and outside Singapore, think it is and it is certainly not the dynamo the Government would like it to be. So in mid-year the Government announced a sharp shift in policy designed to force companies to raise their sights.

In the first half of this year, gross domestic product rose 9.7 per cent over the same period of 1978 and for the whole year growth of about 8.5-9 per cent probably will be achieved. That would be in line with or a bit ahead of the 1978 performance which was the best year since 1973, and well above the 6.9 per cent 1973-78 average. However, it is not an impressive performance considering a variety of relatively favourable factors.

It comes against a background of:

● Quite strong growth in world trade over the past two years, especially as reflected in the export growth rates achieved by other developing countries in East Asia. Though protectionism has proved a barrier to products in some markets it has remained more of a potential than an actual danger to Singapore's growth.

● A sharp increase in the labour force averaging about 4.5 per cent a year over the past two years resulting from (temporary) demographic factors and import of labour. About 25,000 foreign workers came to the republic in the year to June alone, or 2.5 per cent of the current workforce. They now total well over 100,000.

● Continuing double-figure growth in South Korea, Hong Kong and Taiwan where exports, domestic demand and productivity have all been rising at 5-8 per cent or roughly double the Singapore rate.

● Buoyant conditions in neighbouring countries, especially Malaysia, creating additional demand for Singapore's goods and services and raising entrepôt trade turnover.

In absolute terms the short-term position has been and remains bright. In the first nine months of the year, exports grew 31 per cent and imports by 28 per cent. Oil price increases were a factor but not the overriding one.

Manufacturing output rose a brisk 17 per cent in the first half with electrical goods especially in demand from overseas markets. But certainly the composition of high export demand tended to be concentrated at the extremes of the industrial spectrum—the highly capital-intensive, foreign-owned refining industry and the mostly low value-added electronic assembly and garment industries

Gains were less marked in the high skill, high value-added industries which Singapore most wants. Other indicators have also been improving. Investment commitments and spending are both up and a recent business survey shows a modestly optimistic outlook continuing. Private sector construction has been more buoyant than for several years, with hotels and shopping centres in the lead.

Tourism has shown remarkable resilience in the face of two simultaneous setbacks—the late 1978 devaluation of the Indonesian rupiah, and Australia's new policy which has discouraged flight stop-overs in Singapore by Europe-bound tourists. Though the number of Indonesian and Australian tourists has fallen, there was a surge in Japanese and Malaysian visitors, so overall arrivals rose 8 per cent in the first half. (The Japanese boom may prove short-lived owing to the sharp setback to the yen.)

Buoyant trade and investment increased demand for lending bank loans and advances by 24 per cent in the year to end-July. But in the same period non-bank deposits with banks rose only 11 per cent. Banks significantly increased their net borrowing from banks overseas (mostly local offshore Asian currency units) from S$1.4bn to S$2.7bn. Over the same period official foreign exchange reserves grew by a similar amount to S$11.875bn.

Generally, the financial sector has been providing an increasing proportion of capital inflow. In 1978, net monetary inflows were S$680m compared with ordinary private capital inflow of S$690m. The need for capital inflow—in a financial sense—has also continued to decline relatively.

The apparent trade deficit has been steady in the S$5bn-S$5.5bn range since 1974 and therefore declining as a proportion of trade. Meanwhile, earnings from services have been edging upwards.

The current account deficit rose substantially in 1978 to S$1.6bn but will fall again this year. Last year it was entirely offset by the "balancing item" of transactions which are either unrecorded or confidential.

Next year could well be a much worse one for the current account. But the balance of payments is not and never has been a problem in Singapore.

However, the island has had to follow the international trend and interest rates have risen sharply with the banks' average best lending rate now around 10 per cent. This is probably not high enough to deter new investment. Business sentiment remains optimistic but could succumb quite quickly to any signs of shortening order books.

It was against a background of a buoyant short-term situation but longer-term worries about the depth and quality of Singapore's development that brought about the sharp change in economic strategy. The new strategy: a forced march to high wages and high productivity.

Essentially, what Singapore wants is to get out of mass production into high-skill, high-revenue activities ranging from insurance, to precision engineering, computer peripherals and high-turnover tourism.

Fund

The strategy was announced by the National Wages Council in June. It recommended an average wage rise of 20 per cent and higher for the lower paid. Though 4 per cent of the increase was to be creamed off into higher central provident fund contributions and 2 per cent into a new industrial training fund, the increase was way ahead of the cost of living, which rose only 5 per cent last year.

Furthermore, the Government indicated that it aimed to push through sharp wage rises in following years too in a bid to force employers to save labour and change to higher value-added products and improve production methods.

Apart from a desire to regain its place in the top league of Asian productivity growth leaders, Singapore had two motives. These were, first, to reduce the demand for low-skill foreign labour which could cause social problems, especially as industries had started looking to non-traditional labour sources such as Thailand and Indonesia.

Second, to push industry into more specialised fields which would not be so vulnerable to protectionism as low-cost, high-volume industries. The policy was a return, but in a much more determined way, to a policy instituted in 1973 of discouraging new low value-added industries by removing fiscal incentives. That policy succumbed to the 1974-75 recession.

Some observers were puzzled that Singapore chose this year, when the industrialised world looked as though it could be on the verge of another recession, to make such a determined push for high wages, possibly at the expense of employment.

The reasons may be that the Government foresaw an earlier but shallower recession in the U.S. than now seems likely and the pressure from labour for a change was very strong—greater than in 1973.

The Government has also allowed itself some let-outs if need be. It can put the policy back into cold storage next year; it can reduce the size of the additional provident fund contribution; or, if the level of unemployment becomes a problem, it can—as during the last recession—reduce the foreign labour force.

Meanwhile. Government critics are adopting an "I told you so" attitude. They say the new policy justifies criticisms in the past few years that capital was being allowed to profit unduly at the expense of labour whose wages were being held down unnaturally by the NWC guideline and the import of foreign workers.

The Government simply answers that conditions have changed and so must policy. To a greater extent than anywhere else in East or South East Asia overall wage levels are determined by government policy though, of course, the Government is not so foolish as to believe it can confront the market, but merely modify and regulate it.

All other things being equal, the policy must squeeze companies' profits. Though Government bodies with financial and technical assistance will be eager to help, businessmen everywhere often prefer independence, and Chinese businessmen perhaps more than most.

Some people in the Government are a little concerned that this trend could make it even more difficult than before to develop a large class of indigenous manufacturing entrepreneurs.

The Government expects manufacturing's contribution to the economy to grow from its present 26 per cent—a level at which it has been stuck for some time. But in the short term at least the manufacturing sector is far more vulnerable to a shake-out from the wage increase than services.

Although tax incentives for manufacturing remain unchanged, at least for the time being, the new policy is an implicit admission that manufacturing has been given too many incentives in the past—at the expense of other sectors which have had to pay normal tax rates, and seen their wages held down by NWC guidelines.

Much of the externally-oriented services sector will be able to pass on wage increases without any problem. The presence of activities such as offshore banking, oil servicing and aircraft maintenance are little related to labour cost. Even a labour-intensive industry such as tourism probably can pass on much of the additional cost, meanwhile perhaps cutting back on the conspicuously surplus manpower.

It is a curiosity of "modern" Singapore to see attendants operating automatic lifts and janitors presiding with inappropriate dignity over self-opening doors.

Absorb

Manufacturing is a different matter altogether. Home markets are almost unprotected, and there is not the obvious comparative increases in productivity of 10 to 15 per cent a year in manufacturing which are difficult to achieve anywhere. Multinational companies in Singapore may be able to shift to higher value-added products, leaving low value ones to factories in lower wage nations. Some may be able to absorb or pass on the additional cost to buyers because of other advantages, such as fast communication, which Singapore enjoys.

But some types of industry may find life especially difficult. These include the low value-added assembly industries, especially in garments and electronics, which employ a high percentage of women; higher-skilled industries, especially engineering where local experience has not yet brought productivity or quality up to international standards; and locally-owned industries where management lacks the expertise to make quick changes in products or productivity to remain internationally competitive.

Although the Government is making soothing noises and the general buoyancy of business cushions the dangers, the fact is that the policy is a radical one. If it is to be a success quite a few businesses will suffer. There will be closures, and entrepreneurs will have to "get on or get out."

It could also have a social as well as economic impact. The wage policy could make many unskilled women in the marginal industries jobless. And despite the primacy given to economic growth, there is an undercurrent of unease in the Government about mothers working rather than staying at home to mind the children.

Although the new policy by implication reduces the emphasis on existing manufacturing, that sector may need to become more important. At least there may be a shift from trade and financial services to product servicing.

Rapid growth has probably gone out of offshore banking, and perhaps tourism. And Singapore may no longer get an easy ride on the back of the oil and commodity booms that its two neighbours, Indonesia and Malaysia, have enjoyed for most of the past decade.

Singapore's new economic policy is still far from complete. The budget, due in February, could be used to modify or reinforce the impact of the wage policy. Additional tax incentives have been given this year for spending on new machinery—they apply to all industries, not just to manufacturing.

The Government is keeping quiet about the possibility of other tax changes, but some possibilities for the medium, if not the short-term, could be: higher taxes on consumption to offset some of the increased consumer spending power; an offsetting reduction in direct tax, especially of company profits to encourage savings and investment; and changes in fiscal incentives to make them very much more selective.

The Government may also need to be concerned about the inflationary impact of its measures. Failure of the new policy to stimulate the desired productivity gains would give a big boost to inflation, as well as raising unemployment and widening the current account deficit. But success would mean much higher real wages, stable employment and an even stronger balance of payments.

Philip Bowring

Change

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advocate of ASEAN, and it must give Lee and his fellow Ministers considerable satisfaction to see ASEAN trade agreements about to be signed with the EEC and Japan.

The conflict in Indo-China has not only galvanised ASEAN, it has prompted the nations of South East Asia to rethink their attitude towards China. Until recently, China was considered the prime threat to stability in the region. But with Vietnamese troops now pressing up against the Thai border and Soviet leverage in the region increasing as a result of its support for the Vietnamese, there is suddenly good reason to mend fences with the Chinese.

Singapore still has no diplomatic relations with China, and is committed to this position until Indonesia opens its diplomatic channels to Peking. But this hitch is unlikely to hinder an improving commercial relationship.

Singapore Airlines is currently negotiating direct flights to Peking and trade missions are flourishing. Singapore stands to profit greatly as a rout to the West for Chinese exports and, more important, a source of intermediate technology products for China. With most Singapore-based businesses speaking Mandarin it is a boon which they are likely to exploit for all that it is worth.

While always admiring Western technological achievements, Lee's government has always been highly suspicious of Western cultural values. So Lee has striven to prevent English becoming a genuine cultural medium, or the cement for building a Singaporean national identity. Mandarin—despite its associations with the culture of Communist mainland China—now seems likely to be espoused as the medium through which to deepen the country's cultural roots.

Fear that Singaporians are "going soft" has often underscored the Prime Minister's quest for a successor. He now predicts that he will relinquish power within nine years. The sudden assassination of President Park of South Korea—a leader whose style has often been compared with that of Lee, must have added a greater urgency to Lee's objective.

Four "bright young men" have recently been pushed to the fore and allowed to make decisions, design policies and make public statements without constant reference to the old guard. It is premature to say that Lee and his contemporaries, Goh Keng Swee, Hon Sui San and Mr. Rajaratnam, are about to take a back seat, but potential new leaders are being given some air.

Mr. Tony Tan is now Minister of State in the Ministry of Defence and Mr. Bernard Chen is senior Minister of State in the Ministry of Education while Mr. Dhanabalan, as understudy to Mr. Rajaratnam in the Foreign Ministry, has risen very fast through the ranks. Most meteoric of all is the rise of Goh Chok Tong, now Minister of Trade and Industry. He not only presented but actually drafted the 1979 Budget, which means he must take considerable responsibility for initiating the "second industrial revolution."

Dissidents have been released from detention. More significant, there is talk of abolishing the National Wages Council—which has brought such industrial peace over the past six years that there was not a single man-day lost due to strikes last year.

Indochina conflict provides a breathing space

TALK OF foreign affairs in Singapore is almost exclusively about one thing — Vietnam's invasion and occupation of Kampuchea. But for Singapore—and the five ASEAN countries as a whole—the conflict in Indochina has brought benefits as well as problems.

Prime Minister Lee Kuan Yew has frequently argued that while the Communist powers in South-East Asia are squabbling among themselves they will have no time to meddle in the affairs of countries further afield. Although the occupation of Kampuchea was rather more than a squabble, and although no one can be happy that ASEAN's front-line State—Thailand—is now nose-to-nose with the Vietnamese army, that argument still holds good. Communist insurgency inside the ASEAN countries has almost completely disappeared.

The Indochina war has brought an unprecedented stream of diplomats and heads of government knocking on the doors of the ASEAN countries, adding greatly to the international stature of all five. ASEAN as an entity has come of age, and almost entirely as a result of the need to take an orchestrated stand against the Vietnamese, whom they jointly *see as the Prussians of Asia.*

Last, but by no means least, the war has transformed views in the region about China. In face of the immediate threat from Vietnam, China and the ASEAN countries have a mutual interest in co-operation. While this will probably not last for ever, the relationship could be extremely profitable—especially for Singapore.

A year ago, Singapore was predicting that Vietnam would invade Kampuchea and topple Pol Pot. Subsequent events have confirmed the worst fears. Mr. Sinnathamby Rajaratnam, Foreign Minister, has been a relentless critic of Vietnamese "hegemonism," and has taken the opportunity at every conceivable international forum to press his case. He steamrollered fellow Foreign Ministers at the ASEAN summit in Bali in May into a swingeing attack on the Vietnamese, and refused to be gagged at the July conference in Geneva—called to pledge aid for the boat refugees fleeing Vietnam—where there was an informal veto on political comment.

At the non-aligned summit in Havana, at the Commonwealth Conference in Lusaka and on numerous occasions in the United Nations, the Singapore Government has led the pack in its condemnation of Vietnam.

Risks

This policy was not without risks. As world leaders gathered in Geneva Singapore and its ASEAN partners drew widespread criticism for their refusal to offer shelter to the Vietnamese refugees. In the short term this dogmatic stand caused the boat people more suffering but it should probably be conceded that in the longer term the boat refugees gained.

But Mr. Rajaratnam is the first to concede that the outside world can do almost nothing to turn the Vietnamese away from their declared course: "Their threshold of pain is quite remarkably high," he said recently. The Vietnamese now have a firm grip on large parts of Kampuchea, and Pol Pot's forces have been so weakened that he will almost certainly never regain power.

The one consolation to leaders in ASEAN — and the only source of hope for an eventual solution — is that Vietnam has been forced to pay a huge price to achieve its colonising aims. It has 200,000 troops mobilised in Kampuchea, another 50,000 in Laos, and a further 150,000 facing the Chinese on the north Vietnamese border. To feed and arm such a large army has forced the Vietnamese to dig deep into Moscow's pocket. Western diplomats in Hanoi say the Soviets will demand a high price for their help, and Vietnamese pride might baulk at some of the demands likely to be made.

ASEAN leaders have consulted closely as the conflict in Indochina has developed. In fact the degree of liaison that has been necessary over the Indochina war has brought ASEAN leaders closer together than they have ever been.

So Mr. Rajaratnam's assessment of the threat from Indochina is essentially an ASEAN one. If nothing can be done in the immediate future to restore an independent Kampuchea, then the best alternative strategy is to make sure the conflict is contained, and to make sure that there is a Khmer race left when the conflict is over. This means refugee camps, and then aid—no doubt covert—to resistance groups operating inside Kampuchea.

Thailand is undeniably under greater threat now than it has ever been. Vietnamese troops have on a number of occasions strayed into Thai territory, and Vietnamese shells have strayed across the border, too. But ASEAN leaders, after close consultation, are convinced that Vietnam has no plans to invade Thailand.

While Pol Pot survives, along with other Khmer loyalist groups, then the Vietnamese will have their hands too full to plot against the Thais. And the Thai Government has gone out of its way to dampen tension on the border, giving the Vietnamese scant excuse to cross in hot pursuit. In this context assurances from Singapore and the other ASEAN States that they will support Thailand in the event of attack have not been backed by concrete contingency plans. ASEAN's bark may be all that is needed to keep the Vietnamese at bay — which is a good thing, since it probably does not have a bite, anyway.

"We must first ensure that the Vietnamese do not succeed," Mr. Rajaratnam said recently. "The Vietnamese must eventually be persuaded to withdraw. In saying this, it is not the restoration of Pol Pot that we are aiming for. We are convinced that the Kampucheans are not all as fanatical as Pol Pot. He must have been an aberration."

At a more general level, Mr. Rajaratnam is convinced that the best long-term strategy is to reinforce ASEAN as a bulwark against Communism. This is not an invitation to the Western powers to transform the ASEAN States into military satellites, but an invitation to foster rapid economic growth in the region.

"Victory will eventually go to those societies which can show that life will get better under them. The power of attraction is with our system—a capitalist system. The Western powers must help to *reinforce the system.* "Help us to grow, to act as a magnet even against the Vietnamese. Eventually they will turn to us for trade, for aid, for investment, for expertise."

Singapore is particularly eager to attract higher technology industries, since it has come to see itself as the "development centre" of South East Asia. This overall strategy has had a boost from a surprising quarter—China.

A year ago the Singapore Government had still not made up its mind which was the greater threat — Vietnam or China. That has now all changed. China is not only seen as no immediate threat — it is seen as a potentially precious trading partner.

The two countries still have no formal diplomatic links, and there is no prospect of formal links until Indonesia establishes them with China. But the Singaporeans have no intention of letting this formality get in the way of a fruitful relationship. Singapore Airlines is expected to have direct flights to Peking early in 1980, and a flurry of trade missions has been mounted in recent months.

Encourage

More important, the Singapore Government sees a growing Chinese presence in the region as a valuable counterpoint to growing Soviet power. Always fearing regional domination by one major power, the Singapore Government has always encouraged a "multiple presence" of super powers in the region.

Prime Minister Lee Kuan Yew's recent tour of South Korea and Japan highlights another important area of Singapore's foreign policy interest — though the visits were fated with the most unfortunate timing. Throughout their time in South Korea, political protest over President Park's style of government provided a tense backdrop. Many analysts have in the past drawn parallels between Lee Kuan Yew's style of government and that of President Park. News of Park's assassination, coming just a day after Lee's return to Singapore, was a profound shock.

The visit to Japan was similarly blighted by Prime Minister Ohira's fight for survival in the wake of election failure for his ruling Liberal Democratic Party.

Despite these political upsets, Premier Lee was able to discuss two issues of concern. First, Singapore is striving to coax Japanese business to base higher-technology industries on the island — not with too much success. Secondly there was the important matter of Japan's strategic role in the region.

"There is still a great reluctance among the Japanese to admit that it is about time they built up their armed forces." Mr. Dhanabalan said recently. "They argue that the Russians do not intend to invade Japan. But that is not the point. There are a lot of other areas where the Soviets can bring pressure to bear."

Inside South and South-East Asia a number of new and interesting relationships are being built up by Singapore. The five ASEAN States have made considerable headway both internally and in terms of international recognition. Tariff barriers continue to fall—over 1,300 products are now affected—and intra-ASEAN trade continues to grow. The Bali summit in May, while dominated by Indochina, made considerable progress.

Perhaps more important is the recognition won from the EEC and Japan. An EEC-ASEAN trade agreement should be signed early in the New Year, and a similar agreement with Japan *is close to completion.* It is significant that the EEC has opened an embassy in Bangkok.

Singapore has been building bridges with Sri Lanka and Bangladesh, hoping to encourage growth in these countries of the low value-added industries *which Singapore itself* wants to shed. These relationships can spur industrial growth in those poorer countries in South Asia while at the same time boosting Singapore's role as a locus of intermediate technology and industrial services in the area.

Another country with which Singapore is straining to build up a special relationship is West Germany. Singapore admires the impeccable quality image of German products and would be more than happy to etch for itself a similar image in South-East Asia.

David Dodwell

Unions accept Lee's leadership

SYMBIOSIS — dictionary definition "an association of two different organisms living attached to each other or one within the other to their mutual advantage"—is a description of the relationship between Singapore's Government and trades unions much favoured by Prime Minister Lee Kuan Yew. Together with "tripartism"—the co-operation of workers, Government and employers—the relationship is credited with having played a major part in Singapore's economic success over the past ten years.

The willingness of the National Trades Union Congress (NTUC), currently representing 95 per cent of all organised labour in Singapore, to identify the interests of its members with the economic objectives of the Government can be most clearly demonstrated by just one fact. For the whole of last year and almost certainly for this not one single man-day has been lost through industrial action.

At the same time various indicators show that the living standards of Singaporean workers have risen steadily. Gross Domestic Product per capita at current prices went up from S$1,567 in 1965 to S$5,082 in 1978. Per capita savings (fixed and savings deposits) have gone up from S$405 to S$2,770 in 1977—the last year for which statistics are available. Telephone and television ownership has risen substantially, as has the percentage of the population living in Government-built flats — now around 65 per cent, compared with 23 per cent in 1965. At the same time the unemployment rate dropped from 9 per cent in 1965 to 3.6 per cent last year.

All this is despite the fact that the legislative context in which trades unions operate is generally acknowledged to be weighted in favour of employers. Notwithstanding the success of the symbiotic relationship, however, the unions are currently under pressure from the Government to redefine their role for the 1980s, making important adjustments in attitude and internal structure where necessary.

Parallel with and in support of Singapore's bid to upgrade its economy, workers are being asked to up-grade their skills and increase productivity, at the same time accepting the need for some redundancies and retraining. Mr. Lee wants the unions' political links with the ruling Peoples' Action Party (PAP) to become even closer, and the older union leaders, like their Ministerial colleagues, are ostensibly being asked to give way to a younger elite who must in their turn prove themselves.

In characteristically forthright tones Prime Minister Lee has warned of the consequences to the unions' very existence should their leaders be found wanting on either the political or the economic front. If the NTUC fails to meet the challenges of the next decade, says Lee, he will adopt policies which do not allow for any further union expansion.

Direction

It is not unusual for Singapore's ruling party to head off challenges before they arise. Certainly there is no overt sign of union recalcitrance towards any aspect of Government policy. On the contrary, since the *direction of Singapore's* evolving economic policy was spelt out earlier this year union leaders have pledged their co-operation. The unions will undertake an enlarged role in retraining workers in industries like textiles and simple electronics who are most likely to be affected by the change from a labour-intensive to a capital-intensive industrial sector.

The NTUC will launch a comprehensive orientation programme for all union leaders and industrial relations officers with the help of the National Productivity Board. It has re-emphasised its acceptance of the role of foreign investors in Singapore's economy, turning a blind eye to the pledge by the Government to some incoming multinationals that they need not unionise for three to five years, if at all.

Admittedly this co-operative attitude towards the kind of economic restructuring whose *implications* might be resisted by organised labour in other countries is given in the knowledge that few indigenous workers are likely to lose their jobs. Around 100,000 "guest workers"—10 per cent of the workforce—come from Malaysia, Thailand, India and Bangladesh. In theory they would be the first to find themselves unemployed.

In practice, however, most economists forecast that the rate of inflow of guest workers will merely slow down as a result of the new higher wages policy. No additional measures are at present contemplated to cut off the supply of imported labour. While the NTUC recently quoted a figure of 30,000 jobs likely to be lost over the next four to five years, the Government is confident that a sufficient number of new jobs will be created as a result of investments now in the pipeline to prevent unemployment becoming a serious threat.

Where the Government does apparently see dangers, however, is in any future loosening of ties between the NTUC and the PAP. This theoretical possibility arises out of the emergence of a younger generation of leaders whose links have not been forged by a united stand against British colonialism followed by victorious battle against Communists at home. Some of these young men are *already in the saddle*—Trade Minister Goh Chok Tong, Defence Minister Bernard Chen and Senior Minister of State for Foreign Affairs, S. Dhanabalan.

Moreover, earlier this year Mr. Lim Chee Onn succeeded the staunchly anti-Communist veteran union leader Devan Nair as Secretary General of the NTUC. Mr. Lim typifies the breed of second-generation leaders whom the Government hopes will emerge to replace it. Educated at British and American universities, Mr. Lim has the requisite intellectual qualities and cool-headedness to appeal to the ruling elite. Almost unknown to the union movement three years ago, his promotion has been rapid. He is also a member of the PAP.

Mr. Lim, like his contemporaries, is very much on probation. The present leadership is young by Asian standards and can afford to experiment with its successors. Mr. Devan Nair may make it publicly known that although he is still president of the NTUC the real decision-making is in the hands of the new secretary general. But no one really believes that Mr. Nair is not prepared to step swiftly back into the centre of the stage should anything go wrong.

Abrupt

For example, the union leadership which grew up from the grass roots may not relish being so abruptly told that its qualities are deemed inadequate to take *over positions of real authority.* An awareness of possible sources of discontent may lie behind the current suggestions, emanating largely from the bureaucracy, that the big so-called omnibus unions—which represent workers from a variety *of companies and whose unions* cater for almost 50 per cent of union membership affiliated to the NTUC — should be disbanded. Instead unions would be largely organised on an industry basis and possibly even on a geographical one. The official explanation for this change is to discourage job switching, reckoned to be a Singaporean disease, and to promote greater efficiency in competitive world markets.

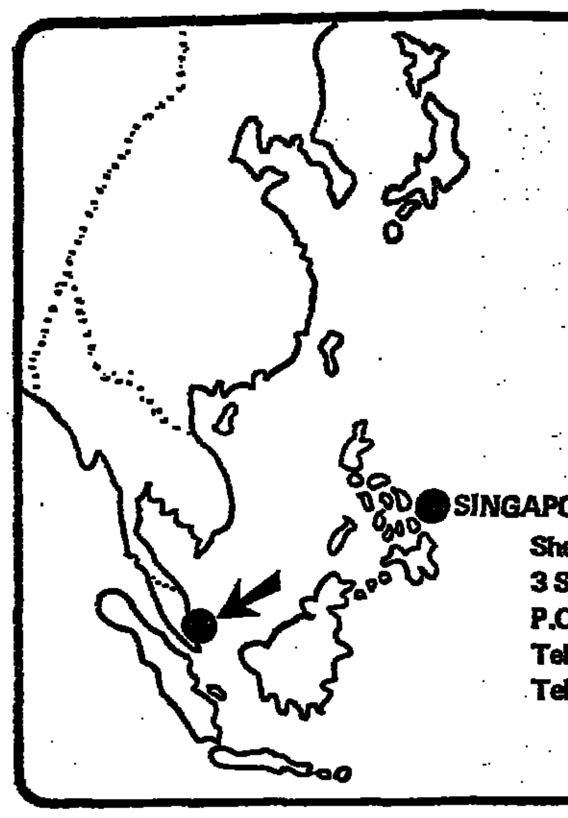
But it would also have the *effect of transferring greater* power to the centre — the NTUC — where the progress of a second generation of symbiosis can be more closely monitored. Mr. Nair admitted, however, that the issue had caused "genuine unhappiness" and a final decision on it has been postponed for the time being.

No one seriously believes that any sector of Singapore's union movement is about to mount a serious challenge to Lee Kuan Yew's political leadership. The Prime Minister's recent warning of the dangers of such a confrontation is seen in the context of the PAP's determination to keep one step ahead of all social, economic and political developments in the republic.

Nor does industrial harmony seem likely to be threatened by Singapore's new economic policy. NTUC Secretary General Lim Chee Onn points out: "We (the unions) are totally committed to improving national productivity in general and that of industry in particular. All we ask in return is that our members' interests must not be jeopardised and that when substantial productivity gains are established, some means are found to give workers their due share."

Provided that the NTUC is seen to continue to operate within those parameters it will be encouraged to maintain its recruitment drive in a bid to increase the proportion of unionised labour from the *present 28.7 per cent of the* organisable workforce to between 50 and 60 per cent. In the long term the Government also intends to dispense with the service of the National Wages Council, whose recommendations at present broadly *determine* the rate of annual wage increases, in favour of a return to free collective bargaining in a free market. But even when that day comes the PAP will want to be sure that its link with union leaders are in the words of the Prime Minister "institutionalised and made durable."

Kathryn Davies



Export policy puts emphasis on higher technology

SINGAPORE'S new wages policy has not only unlocked the door on a second industrial revolution—it has redefined the island State's trading role in Asia.

The Government is gently tightening a tourniquet around those industries which fuelled the country's export-led growth during the late 'sixties and early 'seventies—cheap electronics and textiles. In their place, industries involving higher technology are being enticed to choose Singapore as their export base.

The future lies with high value-added industries. Only such industries can offer Singapore the prospect of sustained economic growth, or of steadily rising wages—and with this of a rising standard of living for the island's 2.3m citizens.

Singapore always has been and always will be a trader. It is a tiny island, with no natural resources and no domestic market. Its wealth therefore comes almost completely from the profit made on converting someone's exports into someone else's imports.

At one time this meant importing raw materials from commodity-rich neighbours like Malaysia and Indonesia. Indeed, this is still an important part of Singapore's trade—Malaysia vies with Japan as the country's foremost trading partner. But the profit to be earned on entrepot trading in commodities is limited, and it is this fact that led Singapore first into low-technology manufacturing industry, then into a whole panoply of financial and banking services, and now into higher technologies like precision engineering, pharmaceuticals and computer peripherals.

It had become clear to the Singapore Government as early as 1973 that it would have to grab a share of high-technology, high-value added industry before too long: commodity producing neighbours were murmuring about the need to cut out Singapore as the middle-man in their export trade.

At the same time, the Western industrialised powers were taking an ominously protectionist stance against the cheap textiles and electronics being imported from countries around Asia. A further worry was the fact that rising labour costs were eroding Singapore's competitive edge against countries in Asia producing similar goods for export.

Action was about to be taken when the first oil crisis bowled the world economy into recession. It has taken Singapore five years to regain the confidence necessary to make a break with the past.

Despite lethargic economic growth in the West, the countries of South East Asia—and Singapore in particular—have in the past two years seen a hectic increase in trade. Singapore's total trade grew by 15 per cent in 1978, and at a rate of 30 per cent in the first nine months of 1979. At this rate, total trade for the year will rise almost S$6bn to S$68.35bn.

Destined

Rising oil prices account for only a small part of this increase. The cost of oil imports has risen at a rate of 18 per cent during 1979—representing a 4 per cent increase in volume of imports (most of the extra coming from Kuwait). But Singapore is a small consumer of oil, and most of its imports are destined for its highly profitable oil refining industry.

Up to the end of September this year, imports grew at a rate of 28 per cent, but mainly as a result of a 41 per cent rise in rubber imports from Malaysia (almost all re-exported), and the purchase of two new aircraft by Singapore Airlines. Entrepot trade grew by 32 per cent.

The value of Singapore's domestic exports grew during the first nine months of 1979 at a rate of 31 per cent. Refined oil exports rose in value by 19 per cent even though volume demand has grown less quickly in recent months. Non-oil exports expanded at a rate of 34 per cent, with electronic products—growing at a rate of 42 per cent—in the lead. Manufactured goods have been growing at a rate of around 24 per cent.

Singapore's deficit on visible trade was S$6.68bn in 1978. Despite the recent faster growth in exports, the visible trade deficit to the end of September 1979 was S$5-6 bn—over 17 per cent above the same period last year. Nevertheless, as a proportion of total trade, the deficit has slipped from 12.5 per cent to 11.3 per cent.

The trade gap, however, has never worried the Singapore Government. First, there are no signs that rising imports reflect rising consumer demand which might trigger higher rates of domestic inflation. Second, a healthy surplus on invisible trade — spanning tourism, the service industries and the important banking and finance sector—guarantee a substantial balance of payments surplus.

From this economically buoyant base Singapore has launched its "second industrial revolution." Manufacturers now being induced to set roots in the country will in due course make Singapore an exporter of a whole new range of products. The Government intends that most of these will involve higher technologies, and bring higher returns per capita of the work-force.

The export growth areas include computer peripherals, precision engineering, medical equipment, aircraft and automotive components, pharmaceuticals, fine chemicals, drugs and oil-field equipment.

The Government also plans to exploit the country's unique advantage as a distribution and servicing centre for the rapidly growing economies of South East Asia.

The prospect of growing world trade with China offers particularly tantalising prospects. The Prime Minister, Mr. Lee Kuan Yew, recently claimed that Singapore would play "a subsidiary role" in the modernisation of China. The role may be subsidiary from the Chinese point of view, but it is unlikely to be so in its implications for the Singapore economy.

Singapore is already China's biggest trading partner in South East Asia. While imports grew to S$488m in the first seven months of 1979—up 18 per cent on imports for the same period in 1978—exports to China more than trebled to S$204m. Exports to Hong Kong—most of them destined for China—also rose fast.

Seminar

At a recent two-day seminar in Singapore on trade with China, a leading Singaporean economist claimed: "Singapore is politically, economically and socially much better equipped to respond to the rising economic opportunities in China than any other ASEAN member."

There are numerous justifications for this claim. First, more than 75 per cent of Singaporeans are ethnically Chinese—many of them fluent in both Mandarin and English. This gives Singapore a unique intermediary role for Western companies hoping to make inroads into the China market.

Mr. S. Dhanakalan, Minister of State for Foreign Affairs, argued recently that foreign companies hoping to export to, or even invest in, China would do well to establish subsidiaries in Singapore for the export of intermediate technology products to China. "In those cases where the China market is not yet large enough to justify (a company) investing in China, they could use Singapore as a manufacturing base to supply their traditional markets as well as the infant China market. When the China market opens up in a large way, they will be well poised to penetrate it," he said.

Singapore Stock Exchange: the island's wealth comes from converting someone's exports into someone else's imports

It can be argued that Hong Kong is better placed to attract this sort of investment, but Hong Kong's advantage is more apparent than real. Singapore is politically stable and secure, whereas Hong Kong is soon likely to be worried by the prospect of reabsorption into China. Singapore can offer investors a workforce with much higher skills, and offers them more convenient access to the ASEAN market.

Singaporeans appear to be unperturbed by the prospect of China as a major trading competitor in the region. But it is not an accident that the country's "second industrial revolution" is intended to reduce the economy's reliance on products China is likely to export in the years ahead.

While Singapore's foreign investors face a buoyant future, local manufacturers are still extremely vulnerable. They are given negligible protection against the multinationals, while at the same time not having the multinationals' resources for investment or their guaranteed export markets. For this reason, Singapore's Economic Development Board has mounted numerous foreign trade missions on their behalf over the past year, and is offering local exporters tailor-made advice.

In addition, local exporters are being encouraged to launch sales campaigns in concert. They are being encouraged to seek joint ventures with foreign companies. While considering plans for a trade development council, the Government has also just introduced an export credit insurance scheme which is likely to enable local companies to export in circumstances which have until now been impossible.

Guaranteed

A background worry for the Government has been the prospect of a worldwide recession. It seems that recession in the U.S. alone is unlikely to have serious consequences — first, because Singapore's multinational companies have guaranteed export markets, many of them with order books full for years ahead; and second, because Singapore is looking more and more to Asian markets to secure its future.

While the United States is one of Singapore's top three trading partners—with Malaysia and Japan—an increasing proportion of visible trade is with partners in Asia. Total trade in the first seven months of 1979 was almost S$37bn, but more than S$22bn comprised trade with Asian countries—almost 61 per cent. If countries in Asia continue to grow at a faster rate than those in the West, then this proportion can only increase.

"If there is a recession, then we shall certainly face stormy seas," one senior Government official said. "We may have a bit of our mast blown off, but we should come through all right."

David Dodwell

Banks woo customers with all manner of gifts

SINGAPORE'S MOVES towards a freer banking environment have helped accentuate the already intense competition among banks in the country. Though many have set up shop largely to conduct regional or offshore business, the sheer number of financial institutions in such a small nation is in itself staggering — 81 commercial banks, 27 merchant banks and 34 finance companies.

Local and foreign banks, and finance companies as well, are wooing customers for every dollar of deposit they can lay their hands on, particularly in the face of an onslaught by the Government-owned Post Office Savings Bank (POSB). There is no competitor more awesome or formidable to the banks as the POSB, which enjoys the advantage of being able to pay tax-exempt interest and is not subject to the Banking Act.

The POSB has enjoyed phenomenal growth over the past few years and has now firmly set itself in the forefront of retail banking. In 1970 it accounted for only 2 per cent of total bank and finance company deposits of S$3.7bn. Today its share is 15.5 per cent out of total deposits of over S$14bn. Moreover, the number of savings accounts with the POSB has reached the astonishing figure of more than 1.6m in a country with a population of about 2.4m.

The POSB provides a service which the banks as yet cannot match. Customers enjoy a host of free services, longer banking hours (even nighttime opening) and minimal withdrawal restrictions at the bank's numerous outlets dotted all over the island. It also has banking counters at major superstores.

The bank is now on the brink of introducing automated teller machines — although it was beaten out of first place by the Chartered Bank, which last month became the first bank in Singapore to introduce them.

Shouting "foul" at the POSB's "encroachment" on their boundaries, commercial bankers have come out vocally against the POSB for allegedly departing from its traditional role as a national savings institution. What has worried them even more, however, is the fact that the POSB has also ventured into the commercial loan market — particularly, housing and syndicated loans—and is currently exploring the feasibility of introducing current account services.

Two petitions to the Government from the Association of Banks in Singapore (ABS) have so far brought no results.

Although they did not say so in so many words, the bankers were pressing for the POSB's status to be changed to that of fully fledged bank so that it too will come within the control and constraints of the Banking Act. They are also asking the authorities to set a ceiling of S$30,000 per account for deposits with the POSB which qualify for tax-exempt interest and that they be given the same advantage.

Complain

Last year at the ABS annual general meeting, the managing director of the Monetary Authority of Singapore (MAS), Mr. Michael Wong Pakshong, sharply admonished bankers for complaining about the POSB. Bankers should quit complaining and do more to imitate the POSB's services, he suggested.

Mr. Wong's remarks reflect the feeling in Government circles that the bankers are "barking up the wrong tree." Said one official: "The POSB has been enjoying the tax-exempt interest advantage for over a hundred years without the bankers complaining. But just because it has now awakened from its slumbers to make full use of this advantage and improve customer services, the bankers have decided to make a fuss about it. They would have received a more sympathetic hearing if they complained after having done much more to improve their own facilities and services to customers to match those of the POSB."

While the bankers battle with the POSB, the general banking public are meanwhile rubbing their hands with glee to see more and more sweeteners being offered as a lure by the banks. Lucky draws, free gifts and insurance and other marketing gimmicks are now being freely dangled before customers.

Adding to the bankers' woes is the prospect of a slower growth in personal savings. With the recent 4 per cent increase in the compulsory central provident fund contribution, bringing the total to 37 per cent of a worker's salary, Singapore has one of the highest—if not the highest—compulsory national savings rates in the world.

As a result bankers fear that there would be less disposable income available for deposit in the banking system, plus a general disinclination to save more in view of the already high rate of provident fund contribution. ABS chairman Mr. Tjio Kay Loen has suggested that some of the funds be placed in the private sector, possibly in private pension funds, but this proposal is unlikely to be heeded by the Government.

Within the highly competitive environment, in scratching for ways to reduce their cost of funds the banks — and particularly foreign banks — have recently been taking advantage of a loophole in Singapore's monetary system. Unlike local banks, foreign banks operating in the domestic market suffer the disadvantage of not having a large deposit base, and hence are mainly dependent on the interbank market for funding. Interbank borrowing, however, is currently more expensive than customer deposits and like customer deposits is also subject to the MAS reserve requirement of 6 per cent, thus adding to the cost of borrowing.

The loophole gives the banks [illegible] enabling them to save the cost of maintaining the reserve requirement. This is done through the bank's Asian Currency Unit (ACU) as Asian dollar deposits with the unit do not require compliance with reserve requirements.

Through its ACU, the bank will swap Singapore dollars for U.S. dollars with its customer, who will then place the U.S. dollars as a deposit with the ACU. The Singapore dollar funds can then be redeposited at the bank, thus avoiding the requirements of reserve regulations.

The lifting of exchange controls in June last year has made such transactions easier and since then, with interest rates rising rapidly at the same time, there has been a sharp increase in these swap deals. Alarmed at the increasing volume, the MAS last month cautioned banks against engaging further in such deals. Understandably, the Authority is concerned that banks are circumventing its reserve regulations designed to protect depositors and control money supply and credit.

Moreover, the high volume of movements of Singapore dollars in and out of the republic, though much of it is paper transactions, makes it difficult for the MAS, which is charged with keeping the value of the Singapore dollar in line with the currencies of its trading partners, and to monitor movements in the Singapore dollar. The Authorities have so far used moral persuasion with a degree of success to prevent such swap deals from getting out of hand.

But bankers fear that the MAS may try to plug the loophole by changing the basis of computing liquidity requirements from

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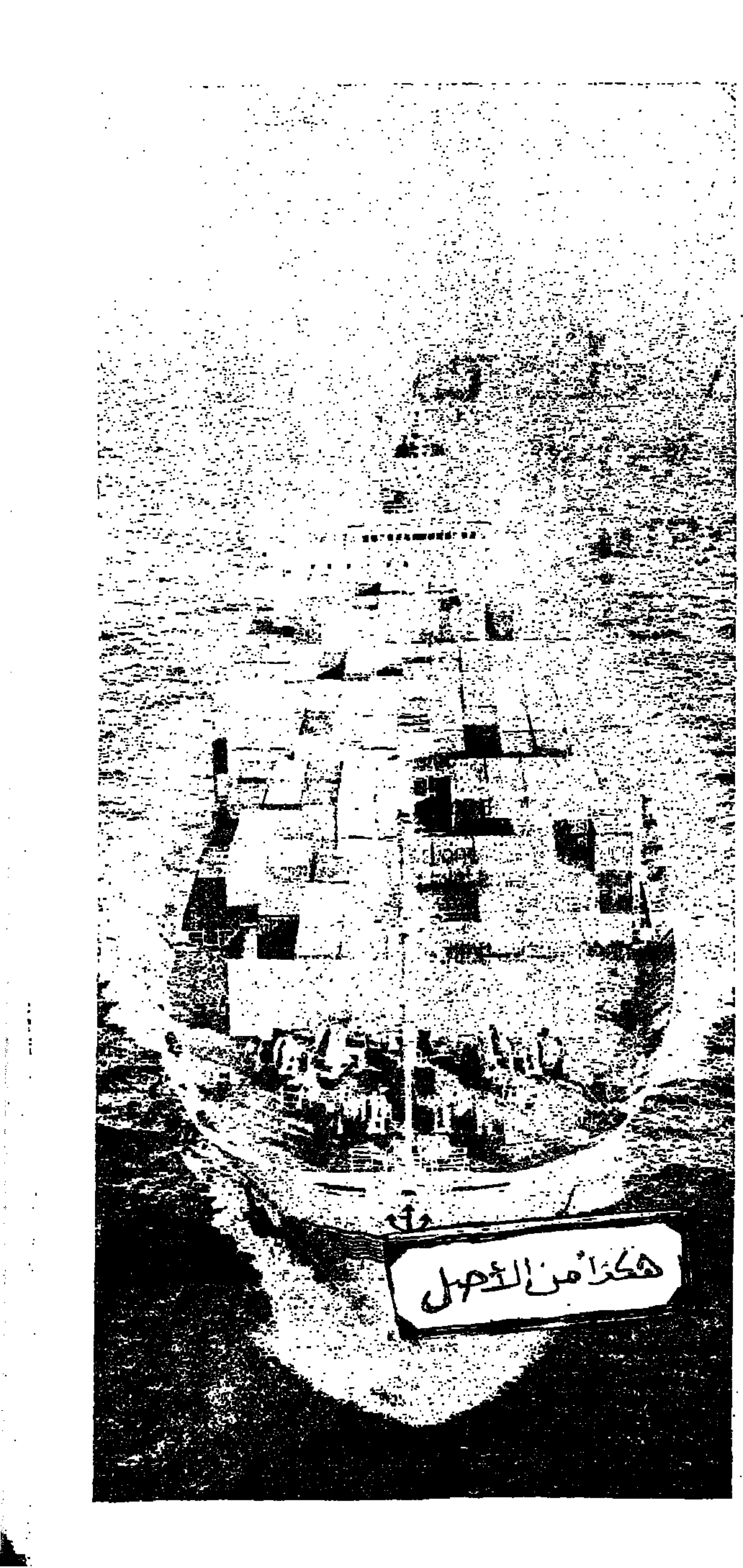


SINGAPORE V

National wage increase a spur to industry

Girl wearing a protective mask operates a machine in a cotton factory

GOVERNMENT MINISTERS and senior civil servants officially deny that Singapore's determination to improve its industrial performance amounts to "a second industrial revolution." "We do not believe in revolutions in Singapore," says Mr. Goh Chock Tong, Minister for Trade and Industry.

But although Mr. Goh says that the new economic policy spearheaded by his ministry is merely a resumption of a course disrupted by the oil crisis and consequent world recession he and his colleagues lose no opportunity to stress the urgency with which they intend to pursue the task of re-structuring Singapore's labour-intensive, low-value-added economic activities.

The most obvious manifestation of that urgency is the republic's new wages policy. In June the Government's advisory body on pay, the National Wages Council, made recommendations deliberately designed to add 20 per cent to national wage costs.

Not all the extra money was to find its way into the pockets of the workers. The actual wage increase outlined by the council took the form of a seven per cent rise plus S$32 offset against other increases such as merit bonuses awarded by companies. This contrasted with the previous year's recommendation of six per cent plus S$12 over and above that amount.

Employers were required to pay an extra four per cent into the Central Provident Fund, the highly-successful mechanism by which workers acquire compulsory savings. An additional employers' contribution of 2 per cent of the monthly wage (or S$5, whichever is greater) was to be paid into the newly-created Skills Development Fund.

In accepting the council's recommendations the Government has made it clear that this year's wage increases are likely to be followed by similar rises over the next three to four years (although new recommendations are not mandatory, in practice they are widely implemented).

Signpost

"One year will not do the trick," says Mr. Goh. By using the National Wages Council to signpost the Government's determination to restructure the economy "you warn your industrialists that that is the direction we are moving in."

The reason for this additional impetus in Singapore's drive to acquire a more sophisticated industrial base is the knowledge that other countries with larger populations are turning towards export-orientated growth—not least China which could undercut Singapore's competitiveness in such areas as textiles and simple electronics. Growing world protectionism is an added disincentive to remain a labour-intensive, low value-added economy.

Singapore's increasingly well-educated workforce is showing signs of fastidiousness over so-called dirty jobs which are currently largely performed by temporary immigrant labour. And in a labour deficit economy, Singapore is simply not in a position to expand along labour-intensive lines.

Confident in the knowledge that the investment pipeline is unlikely to dry up as a result of higher wage costs — the Economic Development Board quotes a figure of about S$1.2bn already committed so far this year—the Government is taking a tough line with manufacturers who rely on cheap, often imported, labour to make low value-added products.

There was considerable dismay in Singapore manufacturing circles when the wage council's guidelines were announced. Singapore's entrepreneurs now find themselves doubly squeezed. Their profit margins are being cut by the extra wages bill. At the same time they are being asked to spend money on upgrading their activities.

While some lip service is paid to their problems, the general impression is that the Government is not prepared to deviate from its existing principle of taking no special measures to protect local industry. "We are confident that local entrepreneurs can use their ingenuity to upgrade their operations," Mrs. Goh says.

Nor will the Government take steps to discourage a multinational company which does not wish to upgrade from moving its activities across the causeway to Malaysia, or further afield to Sri Lanka or Bangladesh. But the implication must be that this is not expected to happen on a large scale. Because of Singapore's geographical position and its excellent infrastructure, companies may find that they cannot afford to defect.

At the same time the Skills Development Fund—likely to bring in revenue of between S$50m and S$60m a year—will be used to help workers improve their skills and employers to improve their operations. A 12-man advisory council has been set up under the auspices of the Ministry of Trade and Industry to administer the fund.

Although specific guidelines have yet to be worked out, the money will be made available for part- and full-time courses and training programmes for employees, grants or loans to any employer for the purchase of equipment needed to upgrade operations, and funds to subsidise the cost to employers of staff retraining.

Singaporeans are currently obsessed by training. The Economic Development Board, which runs its own courses in such skills as tool making, machine setting and precision mechanics, is planning to double its training capacity during the coming year. The Vocational and Industrial Training Board recently introduced a system of training for unskilled or white-collar workers, to inculcate skills for immediate re-employment.

The same system will be extended to skilled workers on part-time or day-release courses. And while the Government's overtures to private employers to finance training schemes for their own workers have met with limited success, a number of joint industry-government training centres have been established to meet the need for skilled craftsmen, three of them with multi-national companies—Philips, Rollei and Tata.

Displace

The hope is that by re-training unskilled or semi-skilled workers in the way the new economic policy will not cause large-scale redundancies, or if it does these will be confined to the 100,000 guest workers who can always be sent home. But there is a fear, seldom publicly expressed, that while a higher wages policy, if it is coupled with better educated and motivated labour, will not itself cause unemployment, the move into higher technology *inevitably will displace workers.*

Mr. Goh points out that his ministry is assuming that 18,000 new jobs will be created over the next four to five years as a direct result of high value-added investments already committed. And a further 17,000 new jobs per year should result from the expansion of existing industries.

In theory, this should cover the 3 per cent annual net growth in the labour force for the foreseeable future. Certainly, the social and political implications for Singapore of significant unemployment would be a cause for concern to the present Government. There is therefore a deliberate policy of trying to match the levels of training with the introduction of new technology so that manpower is not outpaced by mechanisation. But privately expressed pessimism among some senior civil servants suggests that the effects of automation on employment may be a problem for the future.

The other imponderable, of course, is the effect of external factors on Singapore's efforts to move from the third to the second rank of medium-mechanised and medium-wage countries. Future investments may not be forthcoming as the United States' economy pushes deeper into recession.

Upset

Development Board officials cite instability in the international money markets and the uncertainty of oil supplies as two major factors which could upset Singapore's economic calculations. "The problem is that there never is a good time to make these sorts of changes," said one development board spokesman.

"Restructuring the economy should normally take decades. But we don't have the time. Only perhaps seven to ten years."

A textbook example of the sort of upgrading welcomed by the Singaporeans was recently provided by the American semiconductor group Fairchild. Eighteen months ago Fairchild had an investment of S$19m and a workforce of about 3,000. By the middle of this year its investment had risen to S$44m and its employees to 4,300. Next year Fairchild Singapore will invest S$43m to expand its testing and automated production facilities.

It also plans to manufacture new high-technology products in Singapore, including a microprocessor with 64,000 memories. Fairchild's modernisation programme has enabled it to expand and redeploy its workforce from doing simple assembly work towards testing products. It is also training apprentices in conjunction with the Vocational and Industrial Training Board.

That sort of progression by a company which first invested in Singapore 10 years ago is welcomed by the Economic Development Board. And multinationals prepared to invest in skills-intensive, high-technology industry and at the same time participate positively in training schemes will receive the greatest encouragement.

Singapore calculates that existing incentives—the free movement of capital, unhindered repatriation of profits, no capital gains tax and a comparative lack of red tape—far outweigh the disadvantages of a higher wage bill.

And Singapore's growing reputation as an entrepot or conduit for telecommunications, Asia dollars, technology and training skills will all contribute to the success of the new economic policy, say the optimists. But more cautiously, the Government is aware that the Central Provident Fund and Skills Development Fund contributions, which together comprise 6 per cent of the latest pay package, provide a financial buffer in case of future problems.

That 6 per cent could be removed or lowered if the wages burden proved too much for too many employers because of cold economic winds blowing in from outside.

Kathryn Davies

Banks CONTINUED FROM PREVIOUS PAGE

liabilities — i.e., deposits — to assets, i.e., loans and advances. The Authority has shown no intention of changing the present system and at best this is only a subject of study at the moment in view of the far-reaching consequences of such a move.

Notwithstanding the difficulties, Singapore's banks continue to enjoy relatively buoyant earnings. Most have chalked up good growth at the double figures level in the first half of this year and are likely to perform at the same rate or even better in the second half.

Helped by the strong 9.7 per cent real growth in Singapore's Gross Domestic Product in the first half this year, loan demand is picking up, making short memory of the time not so long ago when bankers were just waiting for the opportunity to dump their funds on the laps of borrowers. At the end-September bank loans and advances were up by 23 per cent on the year.

Still, the feeling is nowhere near euphoria. Rapidly rising wage costs—the result of Singapore's "second industrial revolution"—will make a bigger bite into the banks' hard-earned margins. They have no choice now but to look increasingly to automation and modernisation to keep operating costs down.

Interest rates in Singapore are also expected to rise further in line with the worldwide trend. With the lifting of exchange controls, Singapore is now a lot less insulated from the vagaries of international currency and interest rate movements. Domestic rates are still relatively low compared with those of the major countries, with the current average prime lending rate of major local banks hovering around 9.2 per cent.

In the offshore banking sector the Asian dollar market in Singapore continues to maintain its rapid pace of expansion. Total assets of Singapore-based Asian Currency Units as at the end of September stood at U.S.$37.5bn, 55.6 per cent higher on the year. This is believed to have placed Singapore as the third largest non-European offshore centre after the Bahamas and Japan.

Interbank transactions still account for the bulk of the market activity. But deposits of non-bank customers have shown encouraging improvement, rising by 87 per cent to U.S.$5.3bn, while loans to non-bank customers advanced by 26.6 per cent to U.S.$7.7bn.

Asian dollar loan syndications remain brisk, but with spreads wafer-thin some foreign banks, particularly the Americans, are beginning to cool off. Excessive liquidity, the bugbear of bankers not too long ago, is perhaps finally beginning to evaporate.

But Asian borrowers are also becoming increasingly sophisticated and demanding. So for every American bank pulling out there are many more European, Canadian and Asian banks waiting to step into their shoes.

Although offshore business remains their bread and butter, offshore banks are also beginning to look increasingly towards the domestic market to supplement their income. Since July last year offshore banks are allowed to extend credit facilities to Singapore residents subject to a ceiling of S$30m in total at any one time.

Reflecting Singapore's continuing importance as an international funding centre, the U.S. dollar Floating Rate Certificate of Deposit (FRCD) market has also expanded markedly. In the nine months to September there were 19 new issues compared with 16 for the whole of last year, bringing the outstanding amount of FRCD to U.S.$1bn.

More than three-quarters of the issues are by Japanese banks. As a result Singapore has become the third largest centre in the world for FRCDs issued by Japanese banks, next only to London and New York. Most issues are of three-year life but five-year issues have begun to make their appearance.

The Asian bond market, on the other hand, reeling under the pressure of spiralling interest rates, has suffered a slowdown in new issues. The total put together in Singapore for the nine months to September amounted to U.S.$225m compared with U.S.$280m for the corresponding period last year.

Georgie Lee

Airline carries hopes as well as traffic

SINGAPORE AIRLINES (SIA) is the republic's own image of what it wants to be—or at least what its Government wants it to be. It is a modern capital-intensive and skill-intensive industry, with links in various [illegible]—tourism, precision engineering, warehousing. It exploits to the full one of Singapore's special advantages—its geography: and it even turns Singapore's multiracialist society to advantage through the elegant variety of its air hostesses.

Meanwhile it is proving its business wisdom by a unique achievement—making money (albeit little) out of Concorde. Mainly for prestige purposes it operates a joint service with British Airways.

The importance of the airline business to Singapore was illustrated dramatically this year by the diplomatic offensive launched by Singapore against Australia's restrictive new international civil aviation policy. The campaign was perhaps the most vociferous ever conducted by Singapore against a friendly nation and to fight it Singapore drew heavily on its bank of support and goodwill from fellow members of the Association of South East Asian Nations (ASEAN). It even raised the matter at the UNCTAD meeting in Manila.

Singapore saw the Australian policy as the thin end of a wedge which threatened to deprive Singapore of the fruits of running a well regarded and highly competitive airline—and even more important of the benefits of geography. The Australian policy aimed to exclude totally from new low fares airlines of intermediate nations between end-destinations—in this case traffic between Australia and Europe—and to limit the intermediate carriers' overall capacity.

The issue was critical for SIA because of the amount of long-haul traffic that it carries, for which Singapore itself is often little more than a brief stop-over, sometimes not even involving a change of planes (South-East and South Asian business accounts for about 20 per cent only of revenue). Furthermore, its expansion plans have been to a considerable degree geared to development of the European and Middle East routes, and to the West Coast of the U.S. The latter route started up this year and relies for its viability on fifth and sixth freedom rights to pick and put down passengers at intermediate stops, notably Hong Kong and Tokyo. Competition on this route is fierce anyway and SIA has yet to break even on it.

The outcome of the battle with Australia was not victory for Singapore. Concessions were obtained but ASEAN partners were more interested in issues involving development of tourism with Australia. For Singapore—though tourism too was important—the more fundamental issue was to prevent the further cartelisation of air transport on the basis of Duopoly. But the strong reaction to the Australian move may deter other countries from trying to trample on the interests of this small but prickly island State.

Meanwhile the U.S. "open skies" air policy is providing a counterweight to protectionism elsewhere.

Singapore may need, however, to reflect that aggressive marketing and fare-cutting have earned it considerable enmity within the region as well as in the developed countries. Nor has it gone unnoticed that SIA itself is part of a cosy regional cartel known as the Orient Airlines Association which has succeeded in keeping regional fares at high levels.

Protectionism

SIA says there has been a "significant drop" in end-to-end Australia-Europe traffic—though stage traffic has increased, thus maintaining load factors. It is possible that the Australia-Europe route may actually be more profitable than before because SIA probably now gets a higher proportion of full fare traffic. But the growth has gone out of the route, and SIA thrives on high volume throughput.

Protectionism is only one reason why SIA is now forecasting that the short term will be difficult. Capacity growth this year will be about 30 per cent, slightly above average for recent years because of the introduction of the long-haul U.S. route.

But 1980 and 1981 will probably see growth rate fall below 20 per cent for the first time in many years as world recession and higher fuel costs eat into passenger growth and as competition becomes fiercer as other airlines acquire new and bigger aircraft. For SIA, competition has meant having to acquire the best aircraft tailored for particular types of route. Two years ago SIA had only Boeing 747S, 737S and 707S.

But it has added not just 727s but is also to acquire a fleet of A300 Airbuses—it has six orders and six options. The greater number of aircraft types increases servicing costs and could create problems if patterns of traffic growth do not turn out to fit in with the fleet growth.

But by and large SIA has been ahead of the game. Last year, in what was then the biggest single airline order ever placed, it announced that it was replacing all its existing 747s by new and more efficient models and increasing the fleet so that by end-1981 it will have 21 of them. It will thus have lower operating costs than many of its competitors and have completed its major fleet expansion before most of them.

But times could still be hard. If too much surplus capacity develops SIA could find itself being challenged by aggressive newcomers using old aircraft bought at knock-down prices—a technique used by SIA itself in the early 1970s—or thwarted by protectionism.

Profitability could be a problem even this year. Airline operations might even go into the red. SIA has never been very profitable, though very conservative depreciation policies understate the earnings.

In the year ending March last the airline made a profit of just S$60m on a turnover of S$1.48bn.

Subsidiaries on the other hand earned S$57m on only S$125m from duty-free shops, catering, etc. However, the airline profits were after special provisions relating to earlier years of S$34m and a curious provision of S$20.8m for diminution in value of investments. Reduction, or even adding back, of such provisions should help keep the accounts in the black this year.

There will also be big extraordinary profits on the sale of old 747s. These profits will continue to be generated for some while because SIA now writes off new planes over only six years — compared with an average eight years for other carriers.

This conservative policy understates the true earnings and is a counterweight to critics who claim that the SIA group profitability is underpinned by the easy profits from its near-monopoly of airport facilities. The depreciation policy is helping cash flow at a time when the burden of new equipment deliveries is heavy.

The airline is financially highly geared. At March 1979 deferred liabilities were $1.2bn compared with shareholders' funds of $310m. Contracted commitments added up to $2.2 bn, sharply escalating interest rates could be damaging.

However, SIA has been relatively fortunate in obtaining a large amount of fixed interest finance. Last year it negotiated loans totalling $1.5bn equivalent, of which $494m was in fixed rate U.S. dollars and $300m in Singapore dollars.

For the future SIA is looking to increase its depth as much as its size, to add more value relative to turnover. It is rapidly building up its aircraft and engine-servicing capability. And once the move to the new Changi Airport is made in 1981 SIA may be able to start bidding in a big way to provide engine-servicing and simulator training for other airlines which at present have to use Australian, European or American facilities.

That is all part of the aim to increase SIA's contribution to the national economy. Last year the group, which employs 1.3 per cent of the workforce, contributed 3.4 per cent of Singapore's Gross Domestic Product and the contribution is growing fast. Value-added in Singapore grew 22 per cent last year.

The capital-intensive nature of the airline business, with its rapid depreciation rates and interest payments on foreign borrowings, means that a substantial part of the value-added is not retained within Singapore. Even so, the airline is arguably more valuable to the economy than oil refining, which has a high value-added ratio but is more capital-intensive and is foreign-owned.

SIA estimates its net foreign exchange earnings last year at S$818m. Meanwhile the airline's deserved reputation for reliability and service—plus a highly developed flair for publicity—does nothing but good for little Singapore's reputation in a big world. SIA is not just a big fish in a little pond—it's an ocean swimmer.

Philip Bowring

Tourists still come to shop in Singapore — although such goods as cameras and watches are becoming more expensive

Clouds appear over thriving tourist scene

SINGAPORE'S BID to promote itself as instant Asia—a clean and green city State where shopping is relatively cheap, the food exotic and the people friendly—has been paying off. Last year the Republic chalked up its two millionth visitor—1m up on the figure five years ago.

Earnings from tourism went up by 20 per cent on the previous year, amounting to S$1.19bn. Average hotel occupancy was exceptionally high at 86.5 per cent with some of the most up-market hotels reaching an average of 90 per cent.

But late last year two clouds appeared on the horizon. The first came in November when the Indonesian rupiah was devalued. Indonesians are Singapore's biggest foreign spenders and are only a couple of hours away by air. They put good shopping facilities at the top of their list of reasons for going to the city State and spend S$506 per capita out of a total of S$680 on shopping.

The impact of the devaluation was quickly felt in Singapore. So far this year, arrivals from Indonesia are about 12 per cent lower than in the same period last year. It is expected that this decrease will be reflected in the per capita spending figure for the year 1979-80.

Then in the early months of this year came the International Civil Aviation Policy (ICAP) row when it looked as if Singapore's national flag carrier, Singapore International Airlines, would be excluded from participation in the new low-fare flights between Australia and Europe and also that there would be a big drop in the number of stopover passengers in Singapore, as well as in other South East Asian capitals. Since the bulk of Singapore's tourist trade consists of stopover traffic, the consequences of the original ICAP proposals threatened catastrophe to Singapore's tourist trade.

Neither of these setbacks is now considered likely to inflict permanent damage, although their injection into the tourist equation caused some nervousness at the Singapore Tourist Promotion Board.

Assuaged

Singapore was visited by 135,000 Indonesians in the first seven months of this year compared, for example, with 107,000 Australians, 129,000 Japanese and 55,000 British visitors. The recently concluded IPAC agreement between Australian and Association of South East Asian Nations (ASEAN) airline representatives in Canberra assuaged some of the more acute Singaporean anxieties over the effects of the new cheap air fare scheme—although in Singaporean eyes the Australians made insufficient concessions.

However, both developments did cause some rapid re-thinking at the Singapore Tourist Board, which in March this year was transferred from the responsibility of the Ministry of Finance to the newly created Ministry of Trade and Industry, headed by the rising political star Goh Chok Tong.

As a result, a new profile of the ideal tourist emerged—less prone, it was hoped, to be deterred by cold economic winds at home, as in Indonesia, or by the decisions of airline moguls, as with ICAP. This tourist would be FIT—"Free and Independent." He would be [illegible] 40, make his own travel arrangements, and regard Singapore as a resort in its own right, rather than either just a shopping centre or a stop-over on the way to another destination. He could well be a repeat visitor and might stay at the old colonial style hotel, Raffles. Compared with today's tourist he would be better off — or "high yield traffic."

He would also be in the A or B occupations category. In fact the profile fits the present British visitor almost exactly. A research project undertaken by Gallup on behalf of the Singapore Tourist Board in the UK identified actual and potential tourists, not surprisingly finding that they were from the AB social group and came mainly from London and the South East.

To attract the FIT tourist, Singapore is endeavouring to sell itself as a tropical beach paradise by developing some of its 50 small islands—in particular Sentosa, a brief cable car or ferry ride away from the business centre of Singapore. Tax concessions are now being offered to investors willing to build first class hotels on Sentosa in line with proposals outlined in this year's budget.

However, the drive to turn Singapore into an international conference centre is meeting with only limited success. Last year, 146 conventions and 26 exhibitions were staged in the Republic—rather less than during the previous year, although the total number of participants rose by 4 per cent.

There appear to be conflicting views in Singapore about the extent to which tourism in future years will be affected by external factors like the steep increase in oil prices and general world recession. Trade and Industry Minister Mr. Goh Chok Tong recently forecast that a further eight hotels with 500 rooms each would be needed to cope with a projected 10 per cent annual growth in tourist numbers—bringing the number of hotel rooms from 12,600 to 25,800 by 1985.

Overmanned

At the same time, Mr. Goh reckons that the hotel industry is overmanned. Some 64,000 workers in hotels and restaurants account for 6.7 per cent of the workforce at a time when the Government wants its workers to attain greater skills and move into higher value industries.

For first class hotels, the manning ratio ranges from 1.1 to 2.6 per room. If Mr. Goh has his way, the tourist of the future will have fewer hotel servants at his beck and call, although the efficiency of those who are left will be greater.

The Development Bank of Singapore (DBS) in which the Government has a 49 per cent stake, takes a slightly less optimistic view of tourist prospects in a recent study. Assuming a constant percentage of tourists staying in hotels for an average of 3.2 nights as at present, and an occupancy figure of 1.4 people per room, DBS assumes a significant drop in both Indonesian and Australian tourists, as well as a bleaker world economic outlook.

At best, DBS forecasts that when all the hotels currently in the pipeline are completed, together with the accommodation in Raffles City (in which DBS has a substantial stake) the occupancy rate will fall from its present 86 per cent to just over 75 per cent. But if the number of visitors falls well below that being forecast—perhaps to as low as 3 or 4 per cent per annum by 1984—the occupancy rate could drop to 59 per cent. This would be similar to the situation which prevailed in 1972 and would inevitably mean a cut-back in the number of hotels built and perhaps rough times ahead for newer, less established or smaller hotels.

So while future emphasis will be placed on high-yield FIT traffic, the STPB will be keeping a careful watch on traditional sources of tourism to balance quality with quantity. Current promotions are aimed at Asian neighbours, though less likely to be affected by future air fare increases.

However, the greatest potential for growth is in the European market. Although Europe accounts for 16.8 per cent of the total market, compared with Asia's share of 63.1 per cent, its growth of 20 per cent for the first seven months of the year compares with Asia's 13.9 per cent.

Promotional activities are likely to be stepped up in key areas such as Scandinavia, Benelux, Germany, Switzerland, France and Britain.

Kathryn Davies

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

In the second of a series on international power-plant manufacturers, **John Lloyd** examines why Babcock is spending £20m on expansion

A powerful case of Clydeside harmony

Babcock Power, the boilermaking division of the heavy engineering group Babcock International, contributed around £90m in sales to its parent's £778m turnover last year, and £1.2m to its £40m pre-tax profits. 1978 was a low year for the division: orders were down because of the slump in the home market, the company had had quality control problems in its small Dumbarton plant the previous year and had to bear heavy, unforeseen costs at the Peterhead power station. Babcock had sacked nearly 2,000 of its workforce in 1977, slimming down from nearly 6,000 to just over 4,000—yet the corner, it seemed, had not been turned.

Last year, too, prospective merger talks between Babcock Power and the Clarke Chapman boilermaking division of Northern Engineering Industries finally petered out as NEI decided to go it alone. This year, insult was added to injury when NEI won the design contracts for the two new advanced gas-cooled reactor (AGR) stations at Heysham and Torness, the first nuclear orders for six years.

Yet Babcock is now investing large sums in the division's main plant in Renfrew—up to £20m over the next three years, with a further £30m likely if the first tranche shows a return and possibly a further £30m in the future if luck and judgment hold. Renfrew is working at near capacity, and has realistic hopes of staying that way up to the mid-1980s.

"WHY are you so keen to co-operate with management?" The question was received in silence by the 15 shop stewards, seated in a broad arc round the boardroom table. A pause. Then: "You've got to be joking," said Tom Heslin, an ASTMS steward, his sing-song Glasgow accent coming down hard on the first syllable of "joking." "There's Singer closed: Massey Ferguson closed: the shipyards and Chrysler laying off. Here's our company willing to invest. There's no way we wouldn't support it."

Support for Babcock's £20m expansion programme, formally announced last week, means a great deal to the unions and management in the Renfrew plant, in two ways. First, both have agreed on a "memorandum of commitment": on the management's side, it includes the provision that there will be no forced redundancies arising from the programme. On the stewards' side, they will attempt to achieve a return on investment sufficient to finance a further £30m phase of investment; not to press for job retention where it is deemed unnecessary; to reduce manufacturing costs and to co-operate in re-allocation of jobs across and between unions. "A good bit better than The Times," said a Babcock manager sardonically, "and a wee bit cheaper."

"We're taking a risk with this commitment: of course we are," said Gordon Reid, an AUEW convenor. "We're taking a gamble on management, but I think we've a good top management."

This agreement on basic aims is perhaps less remarkable in UK industry than contemporary myth suggests; but the apparent identity of purpose forged between management and shop stewards—regarded by both as a central element in future success—is still out of the ordinary, and it is based on rather more than simply workers' desire to preserve an island of security in a battered industrial Clydeside.

Babcock's recent history has meant that its nine or ten unions have set aside, to some extent at least, historic demarcation procedures.

In the past three years like the other two power plant companies—General Electric's (GEC) turbine division and Northern Engineering Industries—it has been dragged willy-nilly into politics, as the plunging domestic order books appeared to put rationalisations and mergers on the agenda. As in the other companies, too, Babcock's unions were involved with the company in fighting its own corner.

There were three, closely related, issues where Babcock's management and unions found more or less common cause. First, both sides submitted evidence to the Central Policy Review Staff for its 1977 report on the power plant industry; they argued for greater forward planning in domestic ordering: both lobbied fiercely for the early ordering of the Drax B power station through what Babcock called "Exercise Impact." This involved demonstrations and union pressure on every section of the Labour movement right up to Cabinet level: and both were engaged in an attempt to woo Clarke Chapman (now the boilermaking division of NEI) into a merger, management meeting management and shop stewards their fellows in Gateshead. Both sides continue to believe that NEI was mistaken to refuse it.

Rivalry between Babcock and NEI-Clarke Chapman continues at a high level, on the shop stewards' side, though qualified there by a sense of comradeship and a recognition of the Gateshead stewards' position. "I'd have done the same as they did over the merger," says Mr. Reid. But both Jimmy Gallagher and George Grant, the boilermakers' and AUEW convenors respectively, argue that NEI's probable clinching of the contract for the boilers for the advanced gas-cooled reactor (AGR) stations at Heysham and Torness (the company has the design contract) was a slap in the face. "We have the skills here, the company put in more than £6m in investment and they haven't done a nuclear boiler for years."

So what is the programme which has aroused the evident enthusiasm, not just of the stewards but of all grades of workers in Renfrew—and what are its prospects for maintaining or even improving the company's position?

Much of the investment—varying between £15m and £20m—will be spent on constructing and equipping a wholly new plant, known poetically as E Block, over the next three years.

In an upstairs room of an old administration building, a plastic model of the plant is laid out to scale. "I hope you're enjoying yourself playing with the Lego," observes Alan Smith, the Renfrew managing director, to the design team. "What do you want for Christmas, Alan?" retorts one.

The Christmas present which Babcock has awarded itself—after long deliberation by the company's main Board—are banks of computer-controlled machine tools of which the centrepiece is a German machining centre costing £1.5m. "It will put us at the front of the technology," says Smith, and stresses that the decision to invest is based both on the workers' decision to back it and on more optimistic assessments of the industry's future than have been current for some years.

The immediate effect of the investment will be to raise capacity in Renfrew from 1,800 MW of plant throughput a year to around 2,200 MW—though that figure is based on coal-fired plant and rises considerably on the assumption that nuclear work will form part of future orders.

A further programme of investment, of around £30m, will follow if this first tranche fulfils expectations: much of it is expected to come from Renfrew's own earnings. At the same time, since the workforce will remain the same, productivity is expected to rise by between 15 and 20 per cent.

The major changes will come in the mix of the workforce: boilermaking has a relatively high content of skilled labour directly involved in the production process—around 1,000 of the total Renfrew workforce of 4,000—and this is targeted to rise to over 1,200 by 1982, with commensurate drops in service and white collar staff.

In concrete terms, this means that there will be a greater need for welders than for crane drivers: the new spirit of co-operation and flexibility means that, for example, the welders will fix slings to equipment they are working on, rather than leaving it to the driver.

More surprisingly, perhaps, is the fact that the plant will be multi-purpose: Smith says that the company had the option for plant-by-plant specialisation across the site, but rejected it: E Block will be able to handle coal-fired or any other type of nuclear boiler equally. "Besides, we believe in getting responsibility down as far as it will go—that was actually the main reason for going multi-purpose."

Babcock Power, then, seems to be getting into shape—but for what? What is the future likely to hold for it?

The Renfrew site is presently working to capacity in power plant: the bulk of that is for export. For this year, and through 1980-81, much of the work consists of the second two of six boilers for the Matla station in South Africa, three boilers for Drax B and four boilers for a power station in Hong Kong. By 1981, it expects to bring in the first of that proportion (around 20 per cent) of the AGR work which it will do on subcontract from NEI ("Crumbs from a poor man's table," said one manager).

By 1982, however, something between 15 and 20 per cent of spare capacity will appear, widening in 1983 to over 50 per cent and in 1984 to around 80 per cent. It is that gap which has taken Ron Campbell, Babcock Power's managing director, to selected parts of the globe over the past few months and will spur him off again before the end of the year: Campbell is trying hard to sell space in Babcock.

His main prospects are, first, the Tutuka station in South Africa, for which bids have been called early in December; a station in Queensland; and much less likely, the station in China pencilled in for a UK contract.

The South African station sees Babcock teamed with the German turbine manufacturer MAN, facing a rival bid from GEC teamed with the German boilermaker Steinmuller. Both GEC and Babcock have won good business in South Africa before.

In Queensland, the prices for the bids have, unusually, been announced: the seven contestants varied across an astonishingly wide range, from £114m to £240m. The lowest bid was Babcock/Hitachi, a Japanese-dominated group in which Babcock has a small stake, largely because both companies were keen on cross-licensing agreements. Babcock Power was second: but Campbell believes that the decision will not be taken on price alone, but on issues like experience of coal-fired boiler construction, and the proportion of local Australian manufacturing, where Campbell thinks Babcock Power might have the edge.

The third of these hopes, the projected station in China, sees Babcock teamed this time with GEC, and facing NEI—it is assumed that the contract will go to one or other. Naturally, Campbell believes Babcock/GEC is first in the running; but would be less than astounded to learn that the project had fallen through, or was infinitely postponed.

The Queensland experience makes Campbell believe that Babcock can come close to the Japanese on price, and that the gap can be closed by quality and by greater familiarity with coal-fired technology. "There's no doubt that the trend is to coal, and that will benefit us." But competitiveness in overseas markets needs unremitting attention to costs—"We have got to be offering equipment on the export market at marginal costs, like everybody else. At the same time, though there are no firm forecasts, I think that the tendency is for an upswing in orders worldwide. The recession in the electricity generation market has to botom out soon, because countries need power."

In the domestic market, Campbell shares the shop stewards' bitterness over the AGRs, but believes matters will not really improve until the nuclear industry's contracting body, the National Nuclear Corporation, is revamped—a decision on that is expected shortly. A number of different proposals have been made for what might happen to the NNC: the "Babcock solution," which is thought to be finding some favour in ministerial circles in the longer term, is for a corporation based largely on the boilermaking companies, which in turn implies a close co-operation between Babcock and NEI.

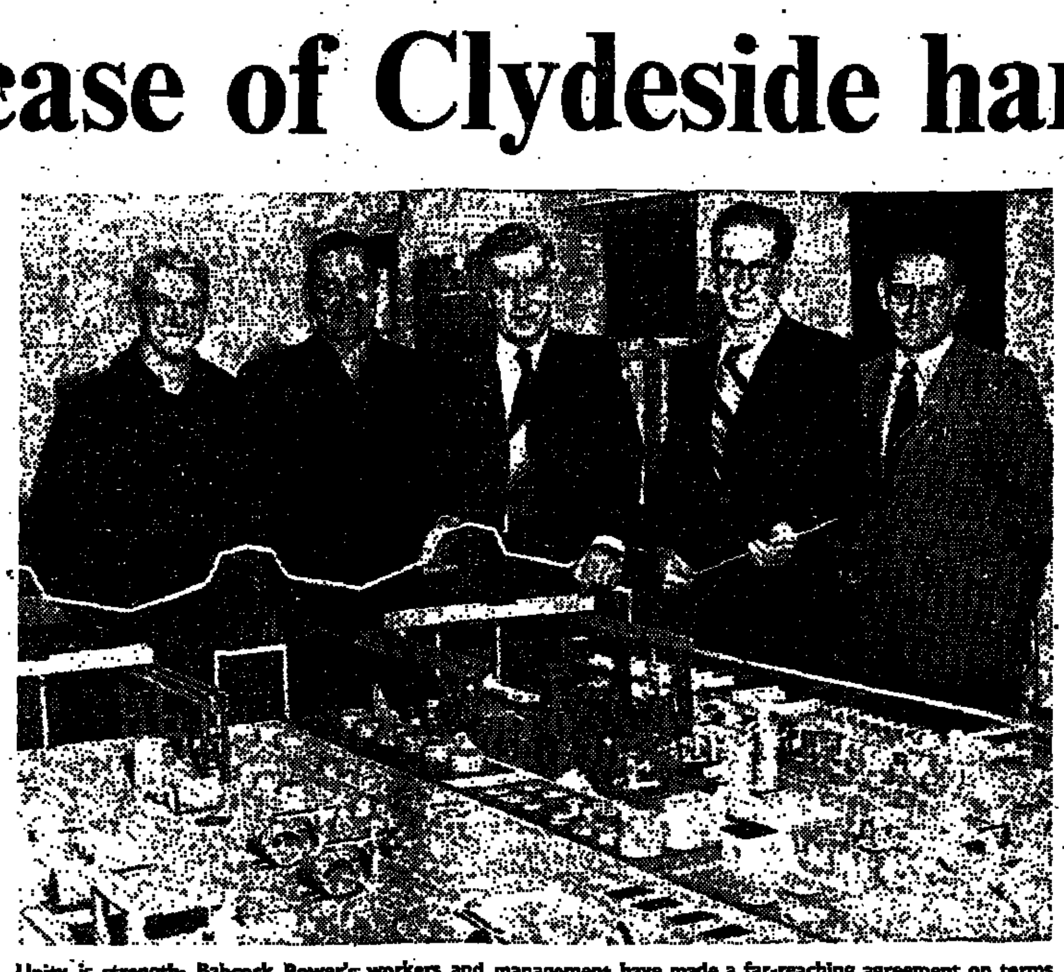
"It's daft to disperse our efforts on these two AGRs like this. There's not so much expertise that you can waste that of one company while using that of the other. Both of us should co-operate on the design of all future AGRs, then share out the manufacture between us.

"Whatever organisation we come to, it must be capable of taking decisions: you have to make the NNC strong enough to command respect, like the best nuclear contractors overseas."

On the future of nuclear power itself, Campbell finds himself on the dovish side of the stewards. "I saw the China Syndrome," he says. "I enjoyed it. I found Jane Fonda's side very persuasive—I can see there are risks, but there are enormous risks in not developing nuclear power too." More seriously, he believes a British nuclear programme will be possible, but only after the ripples of Three Mile Island have disappeared entirely—"that process always takes longer than you think."

The stewards point out that both the Labour Party and the TUC back nuclear power, and believe that the environmental anxieties about its use were not solidly based. They also argue that the AGR's safety record should commend them both to the UK Government and to overseas buyers. As for the China Syndrome—"You should get Jane Fonda on Page 3 of the Financial Times."

The previous article, on NEI, appeared on November 6.



Unity is strength: Babcock Power's workers and management have made a far-reaching agreement on terms for new investment. Looking at the planned layout of the new block at Renfrew are (left to right): Gordon Reid, AUEW steward; Jim Ferguson, EEPTU steward; Ron Campbell, managing director, Babcock Power; Alan Smith, managing director, Renfrew plant; Tom Heslin, ASTMS steward

Management abstracts

These summaries are condensed from the journals of abstracts published by Anbar Management Publications. Readers wishing to consult original texts should write to: PO Box 23, Wembley HA9 8DJ.

Rating Investment Risks Abroad. F. T. Haner in Business Horizons (US), April 79: p. 18 (6 pages, chart, tables)

Describes the variables of a political forecasting scheme for application to overseas investment planning, the rating scale used, and the categories of risk into which investment proposals may fall; stresses that finding experienced evaluation analysts is crucial to the success of the scheme.

The Impact of Unionism on American Business. D. Lewin in Columbia Journal of World Business (U.S.), Vol 13 No 4: p. 89 (15 pages, tables)

Provides a wide-ranging review of the impact of trade unions on business; points to a declining percentage of union members among private-sector workers, and suggests that influence has been confined to a narrow range of issues—collective negotiation, conditions of employment, and grievance proceduers; sees little evidence that unions have had any significant influence—either directly or through lobbying for legislation—on the way U.S. business is run.

Human Values and the Introduction of Technical Change. E. Mumford in Manchester Business School Review (UK), Vol 3 No 2: p. 13 (5 pages, chart)

Suggests that, for all the interest in the behavioural approach to management in the last 20 years, attitudes towards the design of computer systems still tend to produce routine, segmented and tightly-controlled work structures; argues that this concentration on short-term efficiency gains is counter-productive, and cannot produce satisfied workers whose interests coincide with those of the company; discusses ways of involving staff in the design of their own work.

LOMBARD

Why Clegg should be scrapped

BY SAMUEL BRITTAN

THE DIFFICULTY about public sector pay is that disputes have to be solved at a national level in a highly charged political atmosphere. They therefore become a test of face for the government of the day, which is onto a loser whatever it does. The idea of an independent body to take some of the political heat out of the issue has other attractions, as it places the Government at one remove. But the Standing Commission on Pay Comparability chaired by Prof. Hugh Clegg is the wrong kind of body to do this.

Deliberate

In theory the government retains control via cash limits. But cash limits, as they are used in practice, take it for granted that pay awards made by bodies such as "Clegg" will have to be honoured. Any further trimming of cash is then a deliberate policy designed to reduce public sector personnel by the back door, a process which has strict limits.

The first Clegg reports had a good reception in Whitehall, first because the average level of rewards seemed not too outrageous and, secondly, because of the wide disparities between awards for different groups, which seemed to indicate a restoration of differentials. On the real arithmetic it is too early to pronounce; a lot depends on this coming winter's awards which will be superimposed on phased increases from the last round. Despite the reduction of public sector pay relative to private as a result of pay policy in 1975-78, there was no such compression over the 1970s as a whole. The private sector in the period up to last winter was basically catching up with the ground lost in the public sector pay explosion following the 1974 election. There is a danger of the public sector taking the lead again in a similar way in the aftermath of the election of 1974.

But the problem goes deeper. The Clegg Commission has been asked to assess the appropriate form of comparison with terms and conditions in other sections of the economy and in the hideous jargon, to "identify relative comparators." This runs the clear risk of imposing a conventional structure of relative wages, which bears no relation to the supply and demand for the type of worker concerned. If it is also public policy to reduce the relative size of the public sector labour force, there is a clear risk that wages will be too high relative to market demand; and the result will be unnecessary unemployment.

Two London Business School authors, Michael Beenstock and Harold Immanuel have looked at labour market data for groups that figure in the early Clegg recommendations (National Westminster Bank Review, May 1979). Their basic tool was to look at the ratio of unemployment to unfilled vacancies in the category concerned and to make a series of comparisons with the movement of this ratio in closely allied private sector jobs, broadly comparable occupations, and all occupations. Comparisons were made over 1975-8, which was helpful to the public sector and over 1973-8, which was not.

In the ten cases examined by the authors only nursing administration and, surprisingly, "school helpers" unambiguously required a relativity increase. In the case of male orderlies a relativity decline was unambiguously suggested. The correlation between the size of the Clegg awards and the ones that appeared to be justified on labour market grounds was low: and allowance for statistical inadequacies might have reduced it further.

Make-belief

The Department of Employment has already submitted evidence to Clegg stating that "evidence on labour supply should be used to check the comparisons." But if this advice were taken seriously the Commission would have to turn itself into a different sort of body, which is hardly likely. Meanwhile, employers of, for instance, ambulancemen already know whether there is a shortage or surplus of workers at going wage rates. Maybe some independent body should certify this knowledge and relate it to cash limits and union attitudes. But as a basis for settlement, comparability is a make-belief which will sooner or later be penetrated as "productivity" already has been.

Astonishing victory over the Revenue

THE WEEK IN THE COURTS

BY JUSTINIAN

THESE ARE tough times for the Inland Revenue. Hard on the heels of Mr. Plummer's successful tax-avoidance scheme, there comes an *astonishing* victory for the wealthy Vestey family*. What is more the *victory was* achieved by persuading the House of Lords to reverse its own unanimous decision of 30 years ago in *Congreve v. CIR*†.

Last Thursday appeals by six members of the Vestey family against assessments to income tax and surtax partially upheld by Mr. Justice Walton were allowed, while the Revenue's claims to have much heavier assessments restored were dismissed.

The story begins in 1936. The Chancellor of the Exchequer introduced in that year's Finance Act the kernel of what is now section 478 of the Income and Corporation Taxes Act 1970. The provision, as expressed in its preamble, was *"for the purpose of preventing* the avoiding, by individuals ordinarily resident in the UK, of liability to income tax by means of transfers of assets in consequence whereof income becomes payable to persons resident abroad."

As amended in 1938, the measure struck in two ways: *(1) if* "such an individual" had "power to enjoy" (widely and artificially defined) any such income, *it* had to be deemed to be his income; and (2) if, whether before or after *such transfer, such* an individual received (or was entitled to receive) any capital sum the *payment whereof was in any way* connected with the transfer, any income which in consequence of the transfer had become that of a foreigner had, as under (1), to be deemed to be that of such recipient.

The section exposes the crucial question: is only such an *individual as has himself* made the transfer caught by the taxing provision? Or does the *measure strike also at* any intended beneficiary, whether a party to the transfer or not? It is common knowledge among lawyers that Hansard is not a legitimate aid to statutory construction, but the brute fact is that the Financial Secretary to the Treasury told the House of Commons in 1936: "The person who is liable under this clause is *the person who made the transfer,"* and that where, say, a son succeeded to the rights of a transferor-father, "the son would not be liable."

Matters proceeded accordingly until a dispute arose in the complex case of a Mrs. Congreve. She herself had made two transfers to foreign companies, and two to UK companies which had *then* "emigrated"; in addition there were transfers of assets abroad by companies of which *she was either the sole* or the controlling shareholder, *and a transfer of shares by her father.*

The Revenue's attack on her was founded on her having made the transfers personally, or through companies she controlled, or through her father as her agent. Among the counter-arguments by her counsel was, of course, the one that only a direct transferor could qualify as "such an individual" within the Act. This argument was expressly considered and firmly rejected by both the Court of Appeal and the House of Lords.

Given this victory, the Revenue must have taken stock of the situation with some care. Should it gratefully accept the additional weapon apparently *and clearly put into its hands by* their Lordships, and thereafter apply the decision as biting on all non-transferor beneficiaries? Or should it adhere to the earlier practice adopted along the lines laid down by Ministers? Alternatively should it seek to obtain parliamentary *endorsement* of the Congreve decision by an express statutory provision?

The Revenue chose the first of these three possibilities, the courts having interpreted Parliament's intention in a manner favourable to the Revenue.

Numerous subsequent cases dutifully followed the ruling in the Congreve case. An important one in 1955 affirmed that the (non-transferor) daughter of the late Rudyard Kipling was caught, *thanks to transfers* by her father and mother with which she had nothing whatever to do.

The Congreve decision did not, however, escape informed discussion and criticism. *Representations* either that it should be reversed, or else that the *range of the section* be explicitly redefined, were made to the Royal Commission on the Taxation of Profits and Income in 1955. But in the Commission's report both suggestions were rejected, with the rider that "it would be altogether wrong to restrict its operation to the transferor himself, for a section so restricted would offer obvious opportunities for avoidance; and we see no need to supplement by new legislation the effect of a House of Lords decision." Revenue appeared to have *made* the right choice for its course of action.

Those words must prove sour reading to the Board of Inland Revenue today in the light of the judgments of all five Law Lords who, exercising their power to depart from their own previous decisions which they acquired in 1966, have now sunk the Congreve judgment without trace. Lord Wilberforce remarked that he hoped that in recent years we have not become "so habituated to fiscal severities or to 'overkill' sections as to be *insensitive"* to the principle that in the absence of clear power the Revenue cannot decide that A is to bear so much tax and no more, or that beneficiary B is to bear no tax. To argue this would be to permit taxation by self-asserted administrative discretion and not by law.

We are taxed by law, and not untaxed by concession; although the failure on Thursday by the National Federation of Self-Employed and Small Businesses to get a High Court declaration, that a tax amnesty granted to casual printing workers on national newspapers was illegal, seems suspiciously like it.

U-turn

It is an irony that the Vestey family may well prove to be the only substantial beneficiaries of this judicial U-turn. Taxpayers who in the past have paid tax on the basis of the Congreve decision are likely to find any claim to repayment barred by section 33(2) of the Taxes Management Act 1970 (which precludes relief when a return has been made in accordance with the practice then generally prevailing). And any taxpayer proposing to make hay while the sun of the Vestey decision shines must heed the warning note from observations of Viscount Dilhorne. "At least one thing is clear," he said, "and that is the urgent need for the reconsideration by Parliament of the terms of section 478. I hope that in consequence of the light thrown on section 478 that section may speedily be amended. In my opinion it certainly should be."

*Vestey v. Commissioners of Inland Revenue; †(1948) 30 T.C. 163.

Return of an outstanding pair

RACING

BY DOMINIC WIGAN

THIS WEEK sees the long-awaited reappearance of Midnight Court and Border Incident on successive days.

Fred Winter's 1978 Gold Cup winner, Midnight Court, will be back in action at Huntingdon tomorrow. Border Incident, trained close to Uplands by Richard Head, for whom Winter has so much respect—particularly for his handling of Border Incident—resumes a day later at Haydock.

The return of Border Incident is for me the most fascinating feature of the National Hunt season to date.

Richard Head's chaser, now a nine-year-old, has made just 13 racecourse appearances in seven years and Haydock will see him facing the tapes for only the second time in almost three years. Injuries and ailments have to date resulted in the British public being deprived of good performances from Border Incident. Broken blood vessels have been the biggest problem in his chequered career, but sore shins, pneumonia, a massive abscess on a hind, and trouble have also played their part.

However, the habitually cautious Head is now optimistic. The Lambourn trainer has his eyes set firmly on both Kempton's King George VI chase and the Cheltenham Gold Cup. He had this to say of the Boxing Day race: "Kempton might have been laid out with Border Incident in mind and the King George VI is an ideal race. I want to take on the best there."

Head is now confident that Border Incident has recovered from the worst of his ailments. It will be bitterly disappointing if he does not give a fluent, sparkling exhibition of jumping over the stiff Lancashire fences.

Fred Winter, with his reputation for producing a horse ready to win at the first time of asking following a long lay-off, will doubtless see Midnight Court make short work of any prepared to tackle the Uplands "Saghip."

It rarely pays to take a chance with an animal from a stable which looks to be suffering the affects of the virus, but I am prepared to make an exception of Cheltenham, who is dropped in class at Wolverhampton this afternoon. He runs in preference to Fred Rimmell's other entry for the novices chase, Royal Gaye.

WOLVERHAMPTON

12.45—Cheltenham***
1.15—Cancello
1.45—French Garcon
2.15—Lumen**
2.45—McAdam*
3.15—Good Job

TV Radio

BBC 1

† Indicates programme in black and white

9.00 am For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 Fingerbobs. 2.01 For Schools, Colleges. 3.15 Songs of Praise from Rugeley. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 am). 4.20 Wally Gator. 4.25 Jackanory. 4.40 Three Gifts for Cinderella. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Ivor the Engine.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 Angels.
7.20 The Rockford Files.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "Mr. Majestyk," starring Charles Bronson.
11.05 Film '79.
11.35 News Headlines.
11.37 Roadshow Disco.
12.02 am Weather / Regional News.

All Regions as BBC 1 except at the following times:—

Scotland—11.00-11.20 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 12.02 am News and Weather for Scotland.

Wales—10.38-10.58 am I Ysgolion. 1.45-2.00 pm Pili Pala. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.15 Angels. 7.40-8.10 Are You Being Served? 12.02 am News and Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.02 am News and Weather for Northern Ireland.

F.T. CROSSWORD PUZZLE No. 4,135

ENTERTAINMENT GUIDE

CLASSIFIED ADVERTISEMENT RATES

Wigmore Hall

Fauré's Quintet No. 1

by RONALD CRICHTON

The gratifyingly successful Wigmore Hall concerts at which chamber music and songs of Fauré are featured with works by other composers continue into the New Year. Whatever delights are still to come, the crown of the series may well prove to have been the two magnificent but rarely-heard Piano Quintets. The Second was heard a few weeks ago. On Saturday the even rarer First Quintet, op. 89, was given the place of honour by the Music Group of London, between the Clarinet Trio of Beethoven and Schubert's "Trout" Quintet. The hall was crowded.

The First Quintet caused the composer great trouble. It was begun and intermittently worked on for nearly 20 years before the first performance (Brussels, 1906, by the Ysaye Quartet, with Fauré as pianist), thus forming an extended link between middle and late periods. The wonder is not that it sounds less vernally spontaneous than some of the early chamber music but that so much of the old spontaneity has survived into richer texture and closer working.

An account of the work's genesis can be found in Robert Orledge's invaluable *Gabriel Fauré* (hardback and paperback from Eulenburg) this, the fullest account of the man and his music yet to appear in English, is due for review later. No room now for a description of the Quintet's beauties except for brief mention of the rapturous first movement, the wondering opening tune taken up by one stringed instrument after another over a softly rippling piano figure, and of the dreamy Adagio whose reveries are strengthened by seemless polyphony and rising sequences as effortless as Bach.

There is no scherzo and no extremes of speed: the allegretto finale has the task of complementing and yet supplying sufficient contrast to the moderate-paced and abundantly inventive two preceding movements. Fauré was worried about the likeness of the main theme and its initial presentation to Bethoven's Ode to Joy—what modern listeners are equally likely to think of is the finale of Franck's Violin Sonata. Commentators, echoing the composers' doubts, judge the movement too harshly. In performance it seems to solve the tricky problem with Fauréan adroitness. Both the smooth first theme and the striding, jagged successor have enough momentum to carry the music along provided the players do not *hold* it up—there is an examplary recording in the Erato album of the complete chamber music (the disc including both Quintets was later issued separately).

Saturday's performance vindicated the finale. The remainder was warmly sonorous without quite reaching the degree of transparency needed to correct any suggestion of over-richness, and without altogether avoiding the English vice of wallowing in Fauré—hurrying would be just as bad, but the music must be kept moving, the physical wheels oiled to the speed of thought. Now that the ice has been well and truly broken by the London Music Group, the Nash Ensemble, and by the Wigmore Hall's hospitable example, the time has come for the Quintets to take their place at last in the repertory.

Shirley Verrett

Leonard Burt

Paris Opera

Sylvia

by CLEMENT CRISP

After an interval of nearly 30 years, the Paris Opéra has revived *Sylvia*. It is a work of capital importance musically, for Delibes' score is one of the most beautiful, most skilled and most beguiling ever made for dancing. Chaikovsky revered Delibes—"my great favourite among French composers"—and considered his own *Swan Lake* "poor stuff when compared with *Sylvia*." Though we may query the judgment today, *Sylvia* is in no way overshadowed by Chaikovsky's first ballet: its wealth of melody and grace of orchestration, its elegance of means and maturity of understanding, reveal Delibes at his enchanting best.

Sylvia was seen at the Palais Garnier in 1876, the first ballet created in the Opéra's new home, with choreography by Louis Mérante. Despite its score, it had no lasting success; in 1919 a new production was made by Léo Staats. In 1941 Lifar presented his own version, in which Lycette Darsonval (who had appeared as a child in the Staats recension) was a renowned heroine. In 1946 *Sylvia* was again restaged in the Staats version, with Darsonval again shining as the huntress. Thereafter the piece fell into neglect. Now Darsonval, with Violette Verdy's assistance, has reconstructed the ballet as she knew it, opening cuts of some 40 minutes that had been made in the score, and in the process re-establishing something of the Opéra's honourable choreographic traditions, so sadly neglected in recent years.

Sylvia is no more than a debased 19th century view of classic mythology. It offers the same marmoreal view of the antique as propounded by Bouguereau and the *école Pompier*; through the Baron de Reinach, one of its librettists, it is also a curious link with the Panama Scandal of the 1890s. Improbable in every respect, yet providing exceptional opportunities for dancing and grandiose display, it has an attraction today which is part historical, part nostalgic for the Opéra's illustrious past.

Bernard Daydé has sought to resolve certain unavoidable decorative problems by evoking the manner of the School of Fontainbleau and the Golden Age as interpreted by Giulio Romano and his contemporaries. This provides a key for the costuming of the nymphs and satyrs, fauns and dryads, who romp against the gauzy, monochrome forest of Act 1, and for the design of Orion's rocky cave and the last act setting of Diana's temple with a distant prospect of an idyllic landscape. The effect is charming. Rather less ingratiating the dance text, as gauzy as the forest design but lacking much dramatic energy or clarity in ensemble. One can accept the unlikelihood of the action, but not the implausibility with which it is presented. Would genuine passion, more natural feeling, crack the glassy façade of the piece?

I think not, for the emotion in Delibes' score is real enough, and seems to urge the dancers on to richer and more rounded interpretations than were evident at the first performance which I saw on Friday last. The choreography, inevitably, looks old-fashioned: but *Sylvia* is an old-fashioned ballet, and if treated as a period piece, and given the loving stylistic care which is needed for *Giselle* or *La Sylphide*, it could enchant us still. What is right about the staging is the insistence upon virtuosity in setting out the dances, and in this Noëlla Pontois as Sylvia, Jean-Yves Lormeau as Aminta, Cyril Atanassoff as Orion and Georges Piletta as Amour, do well.

Sylvia was, and remains, a ballerina vehicle, and Lycette Darsonval has preserved all the bravura of the leading role. This Pontois brings off with exquisite finesse. The great variation in Act 3—a blaze of pirouettes—demands virtuosity of the highest order, which is securely Pontois'. She leads her squadron of huntresses in arrowy formations with entire ease; in moments of tenderness she is pretty; when escaping the attentions of Orion by plying him with wine and come-hither glances, she is no less a charmer. The other exceptional interpretation came from Lormeau as Aminta. Not yet an *étoile*, he has a open, expansive style, and a sincerity of manner that gives depths to what might otherwise prove a vapid and ill-shaped character.

It is, as you may judge, a thoroughly superficial evening, but none the worse for that when there has been some tightening and strengthening of the choreographic patterns. And whatever reservations one may have about the quality of the dances, the score is a marvel, and marvellously played. The orchestral standards at the Opéra are a reproach to our own Opera House view of ballet performance. Ironically, both the conductors I have heard there of late—Ashley Lawrence and Stewart Kershaw — are British. In the recent *La Sylphide* Lawrence obtained a most cogent account of an indifferent score: Kershaw's reading of Sylvia was everywhere enhanced by the commitment of the orchestra to this masterpiece: every subtlety of Delibe's writing was honoured, and the placing of four trumpets in the stage boxes brought an even more cutting brilliance to the hunting calls that introduced the third act to such thrilling effect.

If there is a moral in this staging it is that Covent Garden ought to consider reviving the 1952 Ashton version in full. The delightful and well-wrought choreography, Delibes' golden score, the Ironside brothers' wonderful décors, all demand to be known again in London. And, perish the thought, we might even invite an Opera star to appear in it.

Goehr composes work for BBC Symphony Chorus

The BBC has commissioned Alexander Goehr to compose a work for chorus and orchestra to mark the 50th anniversary of the BBC Symphony Chorus. *Babylon the Great has Fallen* will be given its World premiere on Wednesday, December 12 at the Royal Festival Hall at 8.00 pm.

Included in the same programme are two works by Beethoven:

'Chenier' postponed

Government cuts in grants to the arts have forced the Royal Opera House to postpone its February production of the opera *Andrea Chénier*.

A revival of another opera, yet to be decided, will replace *Andrea Chénier*.

"Everything possible was done to retain *Andrea Chénier* this season but against a background of insufficient funds to meet wage demands and strict cash limits, we had no alternative," added general administrator Sir John Tooley.

Covent Garden

Norma

by DAVID MURRAY

Bellini's *Norma* returned to the Royal Opera on Friday with Shirley Verrett, and so denuded of stage paraphernalia as to suggest a concert performance. Could these blinding economies have been connected with the Prime Minister's presence at the affair? The original producer and designer, Sandro Sequi and Pier Luigi Pizzi, have returned to strip down their own work—"very much in the style of ancient Greek drama" is the official story. One might not previously have seen *Norma* in just that light; one doesn't see all that much of it in the new staging, which is predominantly crepuscular beyond the point where the ancient Greeks would have suspended the performance on account of darkness. Pizzi's new décor "comprises one set": more exactly, it comprises a rear platform with a sidewise ramp and before it a round wooden hassock, with and without a large cardboard tree and a pair of framing drapes. The lighting, credited to nobody, is used intermittently to make pleasing stage pictures, but—presumably by design—evokes nothing.

Elaborate furbishings are of course no part of the essence of Bellini's opera: only part of its stage tradition, but neither is self-conscious austerity. Plainly Sequi has not intended to deprive *Norma* of any of its musical drama; there is little friendly assistance, though, for a lay figure like Charles Craig's Pollione, who is left to stand and deliver as best he can—*forte*, mostly, and accurately, without a trace of the expressive shading which can justify the role. He does not get in the way of the leading ladies, who between them make this *Norma* a fairly compelling experience. In the pit Lamberto Gardelli keeps a strong, unyielding hand on the score: the pomp and fire of the opening bars seized attention at once, and the level of devoted intensity never slipped thereafter. There was no languid mooning—not even in Norma's languid air to the moon, the celebrated "Casta diva."

This last is inevitably diminished a little in Miss Verrett's account of her part. Something has been said about her turning into a soprano for Norma, but that is not so: she sounds as always like a strong *Soignée* mezzo, with an upper register secure enough to carry her through the role—and she does not hesitate to draw upon her well-honed chest-voice for dramatic effect. She does not float her "Casta diva," but keeps it aloft by sheer pressure—it is *the difference between a glider* and a hovercraft—which means that the exquisite flexibility that belongs to the aria is not possible. But it is only Norma's entrance: after that the lady is dramatically embroiled to the end, and in all the rest Miss Verrett's powers are very well found indeed. Perhaps she cuts too confident and sophisticated a figure to engender much pathos, and perhaps the power of her declamation sometimes owes too little to Bellini's line; but her Norma is roundly conceived and boldly executed, and finely, *consistently gripping*.

Josephine Veasey, the Adalgisa, pleaded indulgence for a virus, but its symptoms were not to be detected: exciting to think that Miss Veasey may be able to do even more with the part. She was a wonderful partner, and excellently stylish—what *bel canto* was to be heard in the evening was all hers; she projected Adalgisa's painful, shy sincerity very movingly. She deserves to lose her wimple in the second act; with it, she looks too cloistered to be vulnerable to ordinary passions, *which sets her too far outside* the situation that determines her role, too unlike her Norma to make her self-effacement fully poignant. All the *feeling* was there, though partly masked. The old Arch-Druid Orovesco turned out to be Cesare Siepi, a model of grave warmth, dignity and maturity, and perfectly in tune with the best aspect of this severely honest *Norma*.

Coliseum

The Magic Flute

by DOMINIC GILL

The Magic Flute opened on Friday night for its sixth revival at the Coliseum since 1975. The production, staged by Anthony Besch and designed by John Stoddart, is still one of the English National Opera's most deft and delightful achievements: imposing but not pompous, witty but not vulgar, pointed without heaviness or over-emphasis — in purely theatrical terms, as finely balanced account as Mozartians are likely to witness of an opera whose just proportions (of elements human and magical, naturalistic and symbolic) are famously difficult to attune.

The keynotes are naturalness without plainness, simplicity without banality: a production which returns to first principles, and especially to the lucid unfolding of a story, setting the glories of the music (like the deeper meanings of the allegory) free to speak for themselves. The ENO's staff conductor Ian Reid, taking the rostrum for this revival, caught Besch's sense of measure exactly. After a few uncertainties of ensemble in the overture and the first scene, the instrumental line was firm, the phrasing warm and clean, the manner unobtrusive but supportive: nothing was rushed, or passed over too lightly, or too strongly asserted. In a quiet way, for its grip and continuity, the reading was masterly.

Three principals are new. Most impressive by far is Eiddwen Harrhy's Pamina, graceful and powerfully convincing in her avowals as she faces Sarastro, in her despair as she contemplates death, and in the radiance of her recognition of Tamino before the trials: she holds the focus of the stage whenever she appears. The voice is bright and resourceful, beautifully tuned—and there are thrilling reserves of volume, judiciously called on, not over-played. David Rendall's Tamino is stocky and resolute, mildly incongruous in his Japanese hair-bun, more rugby forward than prince, but a serious, honest partner for Miss Harrhy: the voice is an attractive, resonant tenor, evenly-coloured throughout the range—a tendency to fruity vibrato in the earlier scenes was nervous, not habitual. The Monostratos of Alan Woodrow is also new, decently acted, securely sung.

Niall Murray was again a genial, youthful Papageno—looking less even than his libretto age of 28, a roguish puppy, easily called to heel. I found last year's new Queen of the Night, Marianne Blok, disappointing in this revival: she delivered her two arias precisely (though the high F of the first was very pinched), but without vehemence, in small, reedy tones. There was little force of anger either, only a pucker of pantomime pique, to her spoken lines. The Three Boys (fresh-faced from school evensong) were fun; the Three Ladies, Angela Bostock, Shelagh Squires and Anne Collins, were a lusty, busty trio, strongly cast. John Tomlinson was a noble, gritty Sorastro.

Just one serious complaint: Stoddart's neo-classical Egyptian designs, so successful in conveying massiveness without lumpiness, and grandeur without flab, sensitively and intelligently lit, nonetheless cling determinedly to one horrible opera-production tic—*the apparently random*, and if not random then ill-conceived and functionless, deployment of a front-drop gauze. During the overture it was there instead of a curtain, radiating a nasty, distracting, blotchy pattern; and for the first two minutes of the opening scene, the action unfolded behind it, muddying, not strengthening, the dramatic effect. It returns on several occasions later to obscure and cloud the singing and the movement: once, at the trial by fire and water, for an entire scene. It is not beautiful, and it is not dramatically effective: the whole production would gain immeasurably if it were simply ripped down and thrown away.

Young Vic Studio

The Two Noble Kinsmen

by B. A. YOUNG

THIS IS a curious play. Love floods every page, and yet it is treated as a kind of marketable commodity that can be traded freely between any two principals, either of the same or opposite sexes. At the same time it is recognised as the fiercest emotion man is capable of. Palamon and Arcite, the eponymous kinsmen, love one another. Yet when they both see Emilia at the same moment, their instant jealousy is murderous. Ultimately murder is taken out of their hands; under Theseus's orders they must fight a duel, the winner to have Emilia, the loser to be executed.

Arcite wins, offstage, and Emilia accepts her future; but before he arrives from the duelling ground to claim her, a messenger comes with news that he has died from a fall from his horse. Emilia switches at once to Palamon. Palamon, in a sub-plot that Shakespeare and Fletcher have added to Chaucer's original (*The Knight's Tale*) is also beloved by the jailer's daughter, a kind of rustic Ophelia; but she is cured of her madness by a pimping doctor who says that if the prisoner warder will say he is Palamon and sleep with her, she will get better. Naturally she agrees at once.

Andrew Visnevski's production for the Cherub Company makes the most of the dramatic artificiality of the play. His company are all male and all young and all dressed in black "leather" trousers with only a suitable decoration to indicate their status. The women have a circle painted round the left breast; the men wear protruberant codpieces. The difference between the sexes is thus shown to be merely a stage convention, the love between the several pairs a dramatic machinery, and the kinsmen's love for one another and their love for Emilia to have the same romantic, non-animal quality.

Nevertheless the play is acted *with powerful emotion*. It is done on a small square stage with a white screen at the back and virtually no props. Charles Grant as Emilia and Martin Ransley as Hippolyta do not pretend to be anything but men in women's makeup, and there is no hint of embarrassment about their ensembles with Anthony Rothe (Arcite) and Daniel Foley (Palamon). Even the more intimate scenes between Anthony Best as the jailer's daughter and Tom Hunsinger as the warder are free from awkwardness.

Mr. Best gives probably the best performance of the evening, though Anthony Rothe sets a splendid example of clear, musical verse-speaking. But it is not the acting, competent enough, that makes the evening so interesting; it is the conception and execution of the whole production. I recommend it.

Lyric, Hammersmith

Waiting for the Parade

In John Murrell's play we watch the effect of the war on five women in Calgary, Alberta. There is a special point in choosing Calgary, apart from the fact that it is the author's home town. Calgary is about as far as you can get in the western hemisphere from the actual events of the war—2,000 miles west of Toronto, 700 miles east of Vancouver, nestling under the foothills of the Rockies. These women could have known little about the war except what came from their letters and the daily Texaco radio news. So their behaviour is to some degree synthetic, and yet heart-felt at the same time.

They complain about a shortage of sugar (only one pound when five pounds are wanted!) They form committees to roll bandages or give entertainments or cheer the soldiers at the station. They persecute people they suspect of being enemies. They even practice survival in a blackout, though the chance of there having been an air raid on Calgary was as remote as Calgary is from Berlin or Tokyo.

The characters Mr. Murrell has chosen make a fair cross-section of the female population. Janet (Frances Cuka) is the tireless organiser, bullying her volunteers mercilessly until their work attains a theoretical perfection. Margaret (June Watson) believes that there is death in her family, and her two sons are bound to be lost. Eve (Beth Morris) is a hopelessly useless blonde who tries her hand wherever she is asked because she is secretly ashamed of her husband's reserved occupation as a radio news-reader. Catherine (Fiona Reid) has a husband in Europe (he is captured at Dieppe) but can't resist an affair with a good-looking guy at the munitions plant. Poor Maria (Deborah Norton) has a German father whose impending senility leads him to collect Nazi literature.

It is interesting to see how the early enthusiasms lead to mutual dislikes and unexpected friendships, and how even Janet's enthusiasm is dented when she realises that the others regard her as a pompous bitch. But I found the play lacking in solidarity. The characters are all what would be supporting characters in most plays, and the plot is only atmosphere.

This doesn't mean that there are not moments of considerable emotion. The acting, under Richard Cottrell's direction, is very good, and scenes such as Catherine's row with Janet, Maria's account of her father's death, and so on come across well. Too many of the little scenes that make up the pointilliste picture verge too nearly on mere routine observation, though, and there is too little interaction between the women.

B. A. YOUNG

RUGBY UNION BY PETER ROBBINS

Selection errors court defeat

THE COMPOSITION of England's rugby teams, especially at half-back, over this last melancholy decade has occasioned more heated discussion than any other topic in rugby circles. It has even come to the point where other countries are feeling sorry for the English.

Selection is a highly difficult art and because of the personalised nature of the job there have to be compromises on many issues. One of the awful dilemmas at national level, and this is especially applicable to England, is whether to choose players with designated roles for specific matches or to take the long-term view and try to build a team.

Rugby is, or should be, a team game, but as things are in the England side it is the one or two linch pins who are holding the team together.

In the past week we have seen classic examples of both good and bad selection which ultimately decided the winner of the tedious and sterile game between England and New Zealand on Saturday. After their defeat at Otley last week the All Blacks dropped their clever running fly-half Dunn for Taylor, who is essentially a kicker. It was perhaps a regressive move, but Taylor formed an important and firm part of a triangle completed by New Zealand's strong back row and Loveridge at scrum half.

England chose Cusworth, a creative but rather fragile player whose strong suit is certainly not kicking. They also chose Rafter when Uttley's physical presence was much needed to play the tight and limited game essential to achieve victory. It would have mattered little how the game had been played if England had won, but they lost 9-10 after a series of tactical compromises which were disastrous for the team and the morale of both players and supporters.

The point is that it is simply unfair to select players who, by nature or inclination, cannot do what the selectors ask, and plainly it was unfair to expect Cusworth to kick as well as, say Cooper or Old.

Given the equality of the forward struggle the game hinged first on the quality of the possession won by each pack, and then on the performance of the half-backs. The other players, apart from one or two fleeting moments, were just supernumeraries and the format of the game made depressing watching.

England could not claim any real dominance in the scrum where New Zealand successfully disrupted the heel by wheeling. Smith withstood that hazard until the second half, but when England produced several classic quick heels Scott mistakenly checked the ball. New Zealand let Loveridge have it cleanly and the scrum-half was marvellously quick in getting the ball to Taylor or clear it himself. England also made a series of technical errors whenever they looked like exerting pressure on the New Zealand 22-metre line.

The line-out was also a bit of a shambles for England, except for Neary at the end and occasionally Colclough in the middle. But the basic problem was one of support for the wayward tapping from Colclough himself. No one seemed to want to tidy things up and this again put pressure on the one player, Smith, who had to be protected. It was no surprise that Smith's game fell away after a bright first half.

As a consequence, at no time did England control any phase of the game with sufficient consistency to allow them to attack in whatever manner they chose. Preston had an encouraging first match but could have let Carleton have the ball earlier when he had the chance. He looked the one player in England's three-quarter line who seemed capable of actually making a break by skill and pace. It makes a welcome change to see it, but his talent might wither along with Slemen's because of underemployment.

England will have never have another chance like Saturday's because this particular All Black team is the shallowest in talent that I can recall. Mr. Thomas, the manager, may be right in saying that our back play has deteriorated, but Wilson's and Cunningham's passing in the centre was deplorably inaccurate and laboured. Fraser had one tremendous run and he has a considerable physical presence, whereas Ford is simply a very strong runner, and that is all.

Still, they defend well, but success has come from being negative rather than positive with the exceptions of Loveridge, to whom New Zealand owe as much as they do to Mourie, Haden and Mexted in the pack.

England are no nearer to a solution to their problems, and while Beaumont's yeoman performance on the field and spirited optimism off it are admirable, I see very little sign of England being in contention for honours this season. How nice it would be to be proved to be hopelessly wrong.

SOCCER BY TREVOR BAILEY

One end, but different means

THE MEETING between those two Second Division championship-seeking clubs, Luton Town and Birmingham City at Kenilworth Road on Saturday produced a rousing game, containing five goals, non-stop action and some pleasing touches—but also rather too many mistakes for comfort, mainly from the home side.

The visitors took a deserved lead after a corner; then, just before half-time, the Hatters came back into the match through a somewhat lucky penalty for handling.

Although after the interval the home team improved, Birmingham remained the more dangerous combination, so that it came as a surprise when Luton took the lead.

However, the visitors showed character by equalising almost immediately afterwards. Just before the end, yet another defensive error left Johnstone free down the left wing, always a mistake, and Bertschin scored his third goal with a fine shot from his cross.

As a result of that defeat, Luton have not only dropped from first to fourth place in the table, level on points with Birmingham and Leicester, but have also lost their unbeaten home record. That suggests that the battle for promotion will prove exceptionally close, although I have yet to see a Second Division team this season with the class required to make a real impression in the First Division.

Luton and Birmingham both seek to finish in one of the top three places, but the necessary difference in approach to that objective by their respective managers could hardly be greater.

David Pleat inherited from that cheerful footballing philosopher, Harry Haslam, a reasonable Second Division group of players and an indifferently supported club that was short of money and had been unpleasantly close to bankruptcy. Considering the financial pressures under which Pleat has operated, he is to be warmly congratulated for producing such a good and successful team, who simply experienced an off-day against Birmingham.

During the match, one of the more biased members of the crowd suggested that the referee, who incidentally had an excellent game, had no control. However, it was really the Luton players who lacked ball control, as they regularly gave it away to the opposition.

They have been weaned on that excellent diet, first-time passing. That is very effective, providing it is done accurately. Against Birmingham their intended passes kept finding the opposition and nobody seemed willing, or able, to change gear so that most of their football was played at a pace that varied between flat out and frantic.

Although it would be pleasant to see Luton return to the First Division on the ground that their manager has done splendidly on a shoestring, one cannot help wondering whether a town that attracts fewer than 14,000 spectators, of whom surely at least 3,500 came from Birmingham for a match of such importance, really deserves it. Obviously the other First Division teams would prefer clubs such as West Ham, Newcastle or Birmingham, who regularly command good home crowds.

Birmingham, which had been threatening to go down into the Second Division for several years, finally did so last season; thus, with a high First Division wage bill, it is immediately confronted with a loss of more than £300,000.

That simply represents the drop in its share of away League gates and does not take into account the reduction in numbers for home fixtures. It is therefore essential, financially, for the team to bounce straight back. Its manager, Jim Smith, has gambled on achieving that by spending the £1m received for Trevor Francis and more on new players.

He has virtually rebuilt his team in the hope that it will not only return to the First Division but stay there. Half his present side are new signings and he hopes to add Frank Worthington next week to provide additional firepower up front.

Against Luton that may have seemed unnecessary, as Bertchin, who had not scored since the opening match and had missed the previous four games, not only led the front line with skill and enthusiasm but completed a hat-trick, which should provide him with the confidence all strikers need. Nevertheless, the acquisition of Worthington might solve the lack of goals experienced earlier this season.

At present, Birmingham lacks the drive and brain of Gemmill in midfield. If he is able to come back without a cartilage operation the team's promotion chances must be termed bright in spite of the considerable competition.

On Saturday, Todd teamed up with Gallacher to form a pair of central defenders well above average. Although the former international did make one expensive blunder, he combined well with his tall and powerful colleague, who *dominated in the air*.

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Mr. Jenkins's lecture

MR. ROY JENKINS'S Dimbleby Lecture last week contained a mixture of facts, mildly provocative proposals and misunderstandings of other European political systems. It is not surprising, therefore, that the mixture does not hang together as a whole. Home thoughts from abroad do not always concentrate the mind.

Mr. Jenkins's main thesis was as follows: there is now an overwhelming case for proportional representation in elections to Parliament, and that the case is based on the failure of the existing system to produce something called a *radical centre*. In Mr. Jenkins's own words: "This, some people will say with horror, is an unashamed plea for the strengthening of the political centre." To which he answered: "Why not?"

In principle, there is no reason to disagree with him, provided that one can be sure what the political centre is. In practice, British politics was dominated for many years by a political centre of a kind known as "Butskellism." In retrospect, Butskellism seems considerably less successful now than it did at the time. It did not, for example, foresee the need to enter the European Community in those formative years when Britain, if it could not have led Europe, could have at least shaped its development. Nor did it check the growth and misuse of trade union power which have become such problems today. The relative decline of Britain goes back many years, and it includes the years in which Mr. Jenkins was active in British politics.

Indefinite position

Mr. Jenkins is entitled to say that he has learned from the mistakes of the past, though he *does not exactly say it*. He argues that the Attlee administration which took office in 1945 was the first major reforming government of this century *since that of 1905*. He also admits that the Conservative Government of the early 1950s had a widespread measure of popular suport: for example, it was remarkably successful in by-elections. What he does not tell us is when and why things *began to go wrong*.

It is also hard to reconcile the view of the Attlee administration which he says, is held today—namely that it is widely regarded as a great administration "—with the views that were held at the time. In fact, a sufficient number of the electorate was turning steadily against it, and many of those involved in it admitted in their memoirs that it ran out of steam. Mr. Jenkins conveniently glosses over those facts, let alone the way he has himself swung from reformism of the left in 1945 to some kind of consensus of the centre in 1979. It is difficult, in short, to be quite sure what Mr. Jenkins stands for.

Superficialities

People are welcome to change their minds, of course. The Dimbleby lecture, however, contains other superficialities. Mr. Jenkins cites the high growth rates of the original members of the European Community and the relatively low growth rate of Britain during the Community's first years as if there were some direct cause and effect. That would be difficult to prove and he does not even try. He implies that there has been a qualitative decline in British Members of Parliament over the years. In fact, Parliament has contained consistently able members—Mr. Jenkins, at his best, among them—and the intellectual level today is probably higher than before.

Not least, Mr. Jenkins appears to have fallen for the West German political system. He omits to mention that in 1969 the particular form of proportional representation came within a fraction of a percentage point of letting the neo-fascists into the Bundestag. It might also be argued that the German system gives the Liberal Free Democrat Party an influence in government way out of proportion to its political support: it is almost a recipe for stagnation.

It is a pity to have to write of Mr. Jenkins in this way. There is a strong case for widespread constitutional reform, though not by the haphazard introduction of proportional representation. The best case for PR is that of equity, but it is not the case that Mr. Jenkins puts. Meanwhile, he has other alternatives. Either he could seek to develop his ideas better, or he could join the Liberal Party, the Conservatives, or even attempt to reform Labour from within. Some of the origins of the British decline, are to be found outside politics, and nothing is to be gained by writing off the existing political parties.

Britain and the sugar surplus

A DIFFICULT dilemma faces Mr. Peter Walker, Minister of Agriculture, over the EEC Commission's plan to cut back sugar production in the Community by 10 per cent. Somewhat surprisingly Mr. Walker has pledged publicly that he will fight the proposals as being "unfair" to Britain. But if the Government is to maintain its argument that the Common Agricultural Policy should eliminate costly surpluses, then Britain must be prepared to make its contribution. Britain is in an especially vulnerable position with sugar, since it is the one country in the Community importing large quantities of cane sugar—a fact resented by the beet producers, especially in France, who were hoping to sell their surplus to Britain when it joined the EEC.

Lower prices

The sugar surplus in the EEC last season cost Community taxpayers nearly £400m in subsidies needed to sell it at *competitive prices on the world market*. Not only is this very expensive, but it also aroused anger in developing countries dependent on sugar exports as *a major source* of their earnings. The huge quantity of EEC sugar exports—over 3m tonnes last season—was a major influence in forcing world sugar prices to depressed levels well below the cost of production.

It can well be seen why the EEC has become so unpopular with sugar exporting countries, who were forced to cut back their production while the Community was stepping up its subsidised sales. The EEC further *offended* the developing world by refusing to join the International Sugar Agreement, since this would have entailed restricting exports and destroying the cornerstone of the common sugar policy. Sugar is the only product in the Common Agricultural Policy whose production is controlled by quotas. *But the quotas, and price incentives*, were set too high in 1975 after the notorious, but short-lived, world sugar shortage in 1974. The build-up of a sugar "mountain" has only been avoided by exporting the surplus.

So the EEC has to do something, both to cut down the cost of producing too much sugar and to repair its tarnished image with the developing world. One thing it cannot do, despite the urgings of the beet lobby, is to reduce the imports of cane sugar from developing countries under the Lomé Convention. This is a political commitment, which was insisted upon by Britain as one of the terms of joining the Community.

The cane refining industry in Britain has already *sharply* reduced its capacity and its workforce. Any further reduction would mean that the commitment to import 1.3m tonnes from developing countries, mainly in the Commonwealth, could not be honoured. *The only alternative* is for the EEC to reduce production of beet to bring domestic supply and demand back into balance which is what the Commission has proposed. Mr. Walker claims that it is illogical to reduce output where it is most *cost efficient—that is, in* Britain. This is an arguable point: yields of sugar beet in the UK are lower than those on the Continent because of less sunshine.

In addition British Sugar has been unable even to meet its basic production quota of 1.04m tonnes let alone its total quota of *over 1.3m tonnes*. The 30 per cent cutback about which the British are complaining relates to a quota which has not been fulfilled.

The *recent sharp rise* in world sugar prices means that the amount spent by the EEC on export subsidies this year will be substantially reduced. *Indeed if world prices keep* rising the Community might even start earning money on sugar exports.

Stampede

But the Commission's proposals cover basic production quotas for a five-year period, and circumstances can alter very quickly on the world market. The 1975 precedent, when the EEC panicked and was stampeded into setting quotas too high in anticipation of a shortage that soon disappeared, was a mistake that should not be repeated. Action to curb excess production is needed and the UK should not obstruct it.

THE AYATOLLAH AND THE PRESIDENT

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

Mr. Carter's worst time at the White House

Glyn Genin

IT is one of President Carter's proudest claims that, in nearly three years of his presidency, *no American life* has been lost in combat overseas. In his view, this is testimony to the fact that he, perhaps more than anyone else in the country, had learned the lesson of Vietnam and understood the more subtle workings of an interdependent world. Yet today, three weeks after the seizure of the American embassy in Tehran, this conclusion is being put to the ultimate test.

There should be no doubt that, at least initially, the country would support him whatever he decides to do. If one of the 49 remaining hostages is harmed, then the nation would demand that the U.S. take punitive military action against the revolutionary theocracy in Iran. American honour would settle for nothing less.

Pandora's Box dangers

Yet, it is also clear, in spite of the sternness of his warnings that Iran is being held "accountable" for the safety of the hostages, that this last recourse *is something which Mr. Carter* would prefer to avoid. This is not merely because of the moralistic strain in the President's character or because none of the military options appears attractive. It reflects much more the impact that such an *American intervention* would have on this country's strategic, economic and political relationships with the rest of the world. A Pandora's Box of troubles could be opened which even the U.S. would be hard put to control.

During the last three weeks Mr. Carter and his senior advisers have vouchsafed to the public little of their private thinking and calculations. The President himself has been seen in public rarely and only once, in a speech to the trades union convention, more than briefly. He has described the period as the worst and most trying of his presidency but even his closest aides have declined further to elaborate on his mood. His Secretary of State, Mr. Cyrus Vance, looks greyer with fatigue than ever.

The main problem, quite simply, confronting the Administration to date has been one of communication with those with whom it seems impossible to communicate. There is a feeling *of blind frustration* here that nothing the U.S. says or does strikes any chord of response in Qom or Tehran other than to increase the Ayatollah Khomeini's invective or whet further apparent Iranian appetite for martyrdom. The repitition throughout the last few days of the U.S. threat to take justified military action is best seen as an attempt to ensure that Iran does understand *the consequences of its* action but there is, at this stage, no hard evidence that it has been taken on board.

So far, the measures that the President has taken may be classified as minimal. In threatening to deport illegal Iranian students, the President was simply trying to cool domestic outrage. He knows perfectly well that the U.S. immigration authorities are bound by law, and that the law allows full right of appeal to any potential deportee. The deportation dragnet is unlikely to catch more than a few hundred small fish out of a shoal of at least 50,000 Iranian students, of whom perhaps no more than 10 per cent are in the country illegally. Moreover, the U.S. knows perfectly well that there are large numbers of Iranian students who *do not want to* return home at present. The authorities are certain to show compassion in such cases.

Again, the decision to import no more Iranian oil (accounting for no more than 4 per cent of domestic consumption) is *hardly of the first magnitude*. It served incidentally as a useful extra lever in the President's pressure on Congress to enact a more rational energy policy and may help to clear a path for more draconian conservation measures in the future. *But again the principal purpose* of the measure was to remove an apparent bargaining weapon from Iranian hands.

Frozen Iranian assets

The same can be said for the freezing of Iranian assets. From a *domestic political standpoint*, the President probably had no alternative but to invoke the freeze, even though a more rational solution might have been to invite Iran to withdraw its funds and allow banks and other financial institutions to go to law to prevent this so as to secure repayment of their loans. This would at least have obviated inevitable questions about the legality of the extra-territorial application of U.S. fiat over foreign-based or foreign-owned institutions.

Of far greater potential concern is Iran's threat to demand *payment for oil in currencies* other than the dollar. But again, at least at present, the view in Washington is that such is the chaos in what is left of the Iranian bureaucracy that its ability to implement any threat is in grave doubt.

Moreover, there remains a belief here, born of a decade of bitter experience, that the oil producing world, Iran included, still has no other haven than the dollar. Successive dollar crises throughout the 1970s have not yet diminished global reliance on the U.S. currency: In 1970 dollars accounted *for 80 per cent of the* reserves held by governments—a percentage which remains the same as the 1980s approach.

This does not, it should be emphasised, denote a level of complacency in the U.S. Government. The U.S. is frankly scared witless about the impact of the Iranian crisis on OPEC's pricing and production plans—which is a main reason why Mr. G. William Miller, the Treasury Secretary, has spent the last few days in Saudi Arabia. The *damage that can be wrought* on an already weakening domestic economy is severe enough, but may pale in comparison to the strains that might be placed on the major allies, whose own economies are so vulnerable. There is a genuine fear in Washington that the oil consuming industrialised countries will not hang together in the face of additional OPEC-induced pressure.

It is the solidarity of the West which is bound to be a *prime consideration as President* Carter begins to contemplate what to do after the hostages are released, *if* that happens. The temptation to engage in punitive retaliation against Iran will undoubtedly be immense. Domestic political opinion, gear*ing up for election year, may* well demand it. Those who are bidding for the White House now have, with the occasional exception, refrained from second guessing or criticising the President in this current time of trial, but the moratorium *is not going to last for ever.* After all, the Iranian crisis has banished from the news headlines those who are trying to stake out their own *qualifications for* the White House, an omission that is bound to be rectified.

Limitations to power

American public opinion, however, may well prove surprisingly resistent to jingoistic *appeals for a display of decisive* American leadership, the quality which Mr. Carter is popularly supposed to lack. The initial sense of outrage and *frustration at the seizure of the* embassy in Tehran has subsided. Random surveys of American attitudes in the last week or so tend to show a surprising awareness of the limitations to American power overseas. This would undoubtedly change if harm came to the hostages, but if *they* survive unscathed, the domestic debate on Iran may turn out to be less belligerent than might be imagined.

American understanding of the nature of the Islamic revolu*tion in Iran is as low as is the* Ayatollah's reading of the American public. But there seems to be a growing suspicion here that the revolution may *not* yet have run its course and that the Ayatollah's regime could fall under its own weight *if* it *fails* to employ, feed and house a population once the initial nourishment of religious fervour and anti-Shah sentiment has been exhausted.

If *the* President were to advocate policies which heighten rather than diminished Iran's ostracism in the world community and which added to *economic pressure on Iran, that* might satisfy the American sense of injustice.

But it would be a fine line to walk and one which would *require the most comprehensive* explanation to the American people. Mr. Carter would have to outline in great detail the geopolitical and strategic necessity of looking beyond the Ayatollah, of securing Western access to Middle Eastern oil supplies, and of ensuring that by its *actions* the U.S. *did not* offer the Soviet Union a significan opportunity for regional advancement. The Administration still feels that the Islamic movement constitutes a greater inherent threat to Russian stability in the Soviet provinces bordering Iran, but is painfully aware that circumstances could yet forge an unholy alliance between Moscow and Iran—and *other Islamic nations* — that could put the West at a substantial disadvantage.

Such considerations, however, remain beneath the surface at *this stage*. The *immediate* imperative is release of the hostages unharmed. There is tentative evidence that the departure of the Shah from U.S. *shores* might lay the ground for their freedom. The U.S. has no intention of returning the deposed monarch to Iran, but might at least entertain the notion that some form of international assessment of his past crimes might be arranged; the *enforceability of any judgment* could be left open.

Sovereignty principle

What, of course, is non negotiable from the U.S. poin of view is the acknowledgemen of any international legitimac in the Iranian action in seizin the U.S. embassy in the firs place and using its employee as pawns. The principle of th sovereignty of diplomati missions at present is bein battered—as events in Pakista and, for different reason Zambia have both demonstrate in the past few days. Preside Carter clearly feels that th world community *is on his sid* on this basic issue: but he woul not mind a further example of such support inside the Unite Nations in the immediate futur

Time, after all, is not exact on the President's side. No mally, where hostages have bee taken, time works to the adva tage of those seeking the relea of captives. Time may yet un the Ayatollah Khomeini. But the shorter run, the pressur on Mr. Carter to take matte into his own hands increa exponentially.

So far, by a universa admired combination of restrai and firmness, he has kept the pressures under control three weeks. But the longer t student mob in Tehran keeps hostages imprisoned and t more hostile becomes the inv tive from Iran, the harder must be for Mr. Carter to mo cautiously. The continued fail of diplomatic and econon sanctions to bring about resolution—and there are s several peaceful avenues of th kind that have yet to be invok —only narrows the alternativ

MEN AND MATTERS

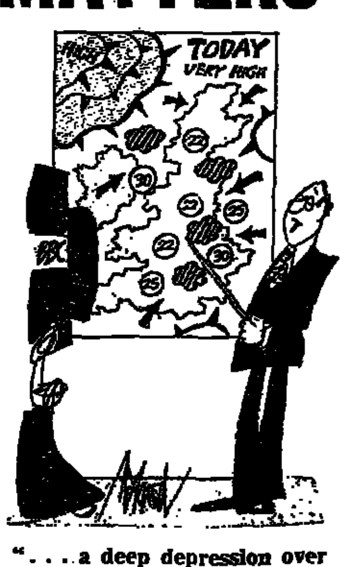
Keeping the Welsh in Wales

Now would hardly seem the best moment for a quango to be doing anything more adventurous than keeping its corporate head down, but at the Development Board for Rural Wales they clearly think otherwise. On Friday the village of Pontrhydfendigaid (pop. around 200) plays host to up to 3,500 people attending the first board-organised pop concert. The venue is a rarely-used pavilion bequeather to Pontrhydfendigaid by its wealthiest son, Sir David James, who made his money out of cinema chains: not, needless to say, in rural Wales, where the sheep easily outnumber the 180,000 population, six to every square mile.

In Berkshire the very words "pop concert" would be enough to set dentures grinding for miles around, but in rural Wales *pop concerts, it seems,* are regarded as just the thing. "The pub will like it, and so will the two shops," enthuses board secretary John Hughes. "We'll *probably make money out of it,* quite a lot of money." insists chief executive Ian Skewis.

Beyond such temporary bonanzas, concerts (more are proposed if this one goes well) are seen as part of the Board's appointed task of arresting the drift of young people away to the bright lights. In this it has had considerable success, on an annual budget of a mere £200,000. In less than three years of existence it has attracted 7,000 new jobs to the area. The Board, says Hughes, has nothing in common with the quangos of popular imagination: "We were set up by Act of Parliament. We are not a body that mushroomed out of nowhere."

Skewis, an energetic Scot who made his name at the Highlands and Islands Development Board, recognises that life will not *become easier* with changes in regional aid, which will result in parts of Wales no longer qualifying for special support.



"... a deep depression over the whole country with inflation rising to 22% in some parts. Occasional outbreaks of 25% to 30%.

But he at least has the support and goodwill of rural Wales: "The Scots and the Welsh have a *fellow feeling against the* English," he explains.

Senior service

I have mildly disappointing news for those members of the Hellenic Travellers Club hoping to rub shoulders next summer *with the Archbishop of* Canterbury.

Swans Hellenic *Cruises* tell me that their brochure has been overtaken by events, and that Dr. Robert Runcie—currently enthroned as bishop of St. Albans but *soon to shift* palaces to Lambeth—is unlikely, after all, to figure among their guest lecturers in the 1980 season. Inauguration year should ensure that *he is preoccupied on dry* land and he has expressed doubts about being able to take up the option on his annual fortnight's cruise. "Dr. Runcie has always enjoyed them very much," Swans tell me. "We hope he will be back with us as soon as possible."

The future archbishop, a classics scolar and an authority on the Eastern Orthodox Church, has for several years been a regular fixture for the sailor-scholar. When not pointing out places of interest to the passengers *he has also served* as chaplain and taken Sunday services. Mrs. Runcie tells me she hopes her husband's elevation will not end their *jaunts in the Aegean—she goes* along too, working her passage as cruise librarian.

Sounds familiar

Many have burned their fingers trying to emulate the continuing success of The Country Diary of an Edwardian Lady, a book which seems to have *soaked up much of the nostalgia* wave. Whatever its secret (perhaps only that no one can think of anything better to give as presents to aged relatives?), the Diary is now in its 93rd week on the Bookseller's list and today makes an assault on the record charts.

The LP (a cassette is also *available) sounds like a possi*bility for aged relatives whose eyesight has failed since they were given a copy of the book. The snippets of nature notes are *recited by various actors;* Delius, Elgar, Bach, and for good measure Franck, Chopin, Mozart, Poulenc, Ravel, and others do service for the widely *acclaimed illustrations.*

The record is not the end of the *story* for the rags-to-riches Exeter book packaging company Webb and Bower which stumbled on the Diary in the first place. With the book *approaching* its third Christmas in the shops, it is still selling so well that the publishers have not even contemplated the offers for the paperback rights. What is *more,* editorial director Delian Bower tells me a feature film is in the offing. One person I *know* who will not be in the opening night queue is an elderly (urban) lady who has so far been given six copies of the Country Diary of an Edwardian Lady. But as she says—in tones of gratitude—"Christmas comes but once a year."

Distributing trips

An article in the latest edition of "Regional Studies" is entitled Spatial Structure and Parameter Disaggregation in Trip Distribution Models. Its summary describes *how* "a *production constrained* entropy - maximising trip distribution model is calibrated for a variety of trip purposes and income groups. Parameter disaggregation is extended further to incorporate origin-specific travel time-decay *functions." I am told it is all* about travelling to work.

Paper chase

Friends tell me that one of the mail-order catalogues published on Sunday contains an interesting article about the FT. It is apparently kind enough to describe it as The Trade Paper and explains, in passing, some of the *difficult FT jargon,* like VAT ("shorthand for Value Added Tax") and Gross ("before tax"). Anxious for just this sort of easy-reference guide round neighbouring columns, I set off on a quest through the lush undergrowth of the catalogue—*Martini,* atmosphere ionisers, silver-plated cutlery, wax depilation units . . . I also passed some Nordic Sunbenches. So far, I have to admit, this helpful piece has eluded me. If anyone spots it, perhaps he would drop me a line specifying whether it is east or west of the quartz carriage clock at £21.95 (+p and p).

You said it

I note that one variety of potato is absent from the new Thompson and Morgan seed catalogue. "Irish Peace," I read, "has been temporarily withdrawn as the *1979* crop has proved to be sub-standard."

هكذا من الأصل

Better deal for British engineers

BY HAZEL DUFFY

"IN THIS COUNTRY we have eminent 'practical' men and eminent 'scientific' men; but they are not united, and generally walk in paths wholly distinct. From this absence of connexion there is often a want of mutual esteem, and a misapprehension of their relative importance to each other. . . . Abroad, the scientific element of production is carefully nurtured, because the truth is there fully recognised, that nothing is so fertile in utilities as absolute abstractions; but it is known also to be essential to industry, that there should be a race of men to translate these abstractions into worldly utilities, and who can solicit nature, in language understood by her, to lend her powers for the fulfilment of practical ends."

THE language is quaint, but the message is clear: Britain ignores at its peril that other countries have a more practical method of preparing people to go into industry, and that these people are held in high esteem by society. The lecture, written by a certain Mr. Lyon Playfair, was delivered under the auspices of the Museum of Practical Geology in 1852.

It is alarming that its basic theme is not very different from that which the Finniston Committee delivered last week to Sir Keith Joseph, the Industry Secretary.

The Finniston inquiry into the engineering profession has been preceded by numerous reports into engineering education and the way that industry uses its engineers. Most of them have ended up gathering dust on the shelves of Whitehall offices. Sir Monty Finniston, former chairman of the British Steel Corporation and himself a metallurgical engineer, is determined that his inquiry will not suffer a similar fate.

It looks as though that determination will be rewarded. The inquiry was set up in July, 1977, by the Labour Government, but Sir Keith, although not favouring this type of investigation, is anxious that publication of the report should give the Government the opportunity to do something at last about the whole issue of engineers and their relationship to the state of manufacturing industry.

Several factors led to the setting up of the inquiry. Growing controversy about the unionisation of professional engineers, and the claims of rival unions to represent them was one of the immediate pressures. Another was the increasing dissatisfaction of some leading engineering institutions that the CEI (Council of Engineering Institutions) "solution" to professional problems was not turning out to be a solution at all.

Political pressure for an inquiry into the education and training aspect came from Mr. Arthur Palmer, MP, chairman of the respected Commons Science and Technology Select Committee. The Callaghan Government, which had launched the "great education debate" in order to link the requirements of industry more closely with schools and further education, was also aware that there were serious shortcomings for engineering. The National Economic Development Office had sought to identify the non-price factors which were hindering the competitiveness of British industry, and innovation in industry was being seen increasingly as an element in this problem.

Britain has a serious shortage of well-qualified engineers, particularly in certain disciplines. *That much is documented.* The Finniston brief was to find out why, and to recommend ways in which the supply could be improved. The terms of reference were drawn up to include certain specific issues, such as the advantages and disadvantages of statutory registration and licensing of engineers, and to investigate the role that the engineering institutions play in the education and qualification of engineers.

Pecking order

The committe has covered *the whole area of the* perception of engineers by the public. Even more important, it raises the question of the priority that government gives to industry in the national pecking order, and attitudes to innovation at both national and company level. Sir Monty Finniston himself was convinced at the outset that this is the hub around which all the other issues revolve. His 17-strong committee apparently did not see its brief in this way at the start, but came to the same conclusion after approaching the more specific tasks assigned in the terms of reference.

It is doubtful whether this treatment of the subject actually raises any very new observations. Even outside engineering, many people are aware that the discipline does not attract the attention in Britain that it does among her industrial competitors and, increasingly, her superiors. Lord Kearton, addressing the British Association for the *Advancement of Science*, recently termed it a national "neglect of engineering," and suggested that engineering should take precedence over science.

Nevertheless, it is no bad thing to re-state the issues, and particularly at a time when the continuing decline of British industry seems at last to be a topic which is arousing the slumbering British public. Bringing attention to the subject at large, however, is easier than identifying the particular reasons for this malaise, and thereby proposing the correct remedies. Is it that industry does not use engineers properly? Are professional engineers poorly paid? Are they *held in lower esteem than other professions?* Are they generally too narrowly-educated?

The very term "engineer" creates confusion. Outsiders often group together as engineers everybody from the semi-skilled worker on the shop-floor to the man who designs power stations. It is a bit like calling everybody a doctor from hospital plumber to consultant surgeon. The Finniston committee was mainly concerned with the graduate engineer who has a degree or degree-equivalent, although the report skirts around the actual definition of an engineer.

The confusion about what engineers are, and what they do, is undoubtedly one of the reasons why they believe their profession does not have the same status as, for example, the medical profession. Evidence for this was found by the Policy Studies Institute, which has done a study on certain aspects of engineers and their educational backgrounds for the Finniston committee. Its report *will be published as an appendix* to the Finniston report.

Registration

The study, which sampled people with engineering qualifications, found that those practising engineering were less satisfied with their status in the community than those who qualified as engineers but had moved out of engineering. They were also less satisfied about their career prospects, although the study does not show engineers are necessarily poorly paid. Starting and current salaries of two groups of young engineers studied separately showed that they were earning more on average than those of science graduates.

The Institution of Electrical Engineers, one of the largest and most powerful engineering institutions, believes that the way to improve the status and standards of engineers is for a statutory registration authority to be set up on the lines of the General Medical Council for doctors. Although it has been the IEE which has led the campaign, some of the other engineering institutions are almost certainly leaning in the same direction.

The IEE *recently questioned* a sample of its members about registration and licensing. Nearly 93 per cent favoured statutory registration, and on the more contentious issue of licensing i.e. that certain types of work should be carried out only by registered engineers, 58.7 per cent favoured it for all professional engineers, and 23.2 per cent for all above a certain level of responsibility. A smaller sample of the Institution of Civil Engineers gave a response only slightly less emphatic than the electrical engineers.

The Finniston report is likely to recommend a compromise solution. Registration with a proposed Engineering Authority, to be set up by an Act of Parliament, would be voluntary, but the statutory backing of the Authority would make it a stronger body than the existing CEI. The Authority, which is central to the Finniston recommendations, would also determine the standard of education and training of the engineer (the "formation" of the engineer), and it is expected that most engineers who meet the qualifications would wish to register.

One of the problems that has preoccupied the committee in the past few weeks has been the designation of existing engineers who are registered with the CEI, the majority of whom it is thought would not qualify for the proposed Finniston standard. Engineers over 40, most of whom are not graduates, would be affected in the main. Some sort of special classification for them seems the most favoured solution by the committee, although not everybody is happy about this idea.

Another major area of inquiry, which is related to registration, has been education and training. In fact, the committee has sought to avoid splitting the two, preferring to borrow from the systems in many other countries, and particularly in Germany, where education and training are seen as an integral process. Professor Ray Wild, who runs a course at Brunel University very similar to that proposed by Finniston, explains the approach: "We do not make a big distinction between what happens in the company and the university; it is a continuing process." Brunel has selected 38 companies with which it will work, and has just taken in its second batch of students. Their school-leaving grades are well above the average for students entering engineering, which seems to prove that bright students are keen to go into engineering if the course is sufficiently attractive.

Finniston proposes that the Engineering Authority would accredit similar "enhanced courses," allocating funds through the University Grants Committee to those universities and polytechnics whose courses meet the required standards.

Employer co-operation, and indeed employers' funds, would be an essential component of the new two-tier B.Eng. and M.Eng. courses. Employers can expect to be castigated on several accounts when the Finniston report is finally published. The failure of many companies to provide adequate career structures for engineers, and their lack of involvement with the universities and polytechnics to ensure that they get the engineers they want, means that they bear a considerable degree of responsibility, in the committee's view, for the status of engineering in this country.

The hope is that employers will form a majority on the proposed Engineering Authority, and will increasingly help to fund the Authority. The committee had hoped to take soundings from bodies such as the Confederation of British Industry and the Engineering Employers' Federation about the feasibility of such a course, but has met with the response that they will reserve their comments until publication.

The election of a Conservative Government which has no love for quangos raised doubts about whether the new Authority would ever get its approval. The idea that employers should play a key role on the Authority, however, is hoped to make it more appealing to the Government, plus the fact that some members of the Government *are believed to favour something being done urgently about* the whole subject.

The 17 members of the Finniston inquiry were drawn from industry, the trade unions, and academic institutions. They have visited the U.S., Canada, Japan, France, Germany, Holland and Scandinavia; received 700 submissions (300 from official institutions and bodies, the rest from individuals); visited 33 companies, and met 6,000 engineers through a programme of regional meetings organised by the CEI. The cost of the two-year inquiry has been about *£600,000, and the report has* had seven drafts.

All this represents a lot more activity than went into Mr. Playfair's lecture, which was written on the basis of one man touring the Continent in his summer vacation. The earnest hope, however, is that *at least the message will not* fall on deaf ears as it has during the past 127 years.

Letters to the Editor

Democracy in the Post Office

From Mr. P. Shaw

Sir,—As one of the Post Office Engineering Union nominees to the main board of the Post Office may I comment on Lombard's article of November 21 on the industrial democracy experiment in the Post Office?

A minor criticism is that it is probably less than fair to accuse Government Ministers of vindictiveness in their approach to the problem. Adam Butler has gone to reasonable lengths to obtain the views of the direct participants and I do not doubt that he is taking them into account. Nonetheless, as Lombard implies, the Minister of State does not yet have all the necessary information upon which to base a decision. Importantly, he does not have the reports of the external monitoring teams which are now available in a preliminary form. Additionally Post Office unions and management have not had the time, and neither has Parliament, to discuss the issue.

In these circumstances a hurried decision would certainly be premature, and inconsistent with the Government's generally supportive attitude towards measures designed to reduce conflict in industry. A negative decision now on the future of the experiment — based almost entirely on an old fashioned *managerial conviction* about the nature of authority —would convince Post Office employees once and for all that overt conflict is inevitable. A premature decision would therefore also be extremely damaging, particularly in circumstances where senior Post Office management have apparently no other proposals to make.

Personally I am convinced that it can be demonstrated that the experiment has made *a positive contribution* to the solution of problems which are preventing the Post Office offering to the community the service it should receive, and that it has potential for the future. In Lombard's words "the period till the Post Office is statutorily split in two provides an ideal time for a calm joint reassessment of the problems and potential."

P. H. Shaw.
7, Ainsdale Road, Ealing, W5.

Reaching a common view

From the Secretary General, Council of Post Office Unions

Sir,—John Elliott's advice to the Government not to rush to end the Post Office industrial democracy experiment (Lombard, November 21) is timely.

The board, unlike the unions, has not been able to come to a common view but there is a wide measure of agreement on one aspect—that two years has *been hardly long enough* to come to firm conclusions. The period of time before legislation to split the Post Office is enacted provides a suitable further period for experience in what might prove to be a more favourable environment—the anticipated setting up of separate boards for Posts and Telecommunications early next year.

Although attitudes among Post Office managers vary, a common thread seems to be that the conflict of interest between management and unions is such that industrial democracy cannot work. Observers, supposing that might be one of the reasons for establishing participative forms, may find that puzzling. The unions don't; to us Post Office management appear to be retrogressing to the 19th century—one senior manager and board member even told us the other day that he had "an open door policy."

The unions, not having had high expectations of industrial democracy, are encouraged by progress. We think that it has emphasised at board level the centrality of industrial relations for effective Post Office operations; informed the processes of collective bargaining; and introduced into the board basic experience of the Post Office (not common to the Management members). This will improve decision making with consequent benefit to the customers. Problems of board style, confidentiality, the establishing of negotiating positions —*these are* a function of experience.

I am not sure that the Post Office (or the Government) realises fully the great public *interest* there *is* in this pioneering experiment. Public policy alone should ensure that it carries on so *that others* can *evaluate* it, along with other varieties of participation, against their own experience, development and environment.

Certainly the Post Office, faced with major organisational changes, challenges to its monopoly position, a rapidly changing technology, and rising expectations from its customers, *cannot* afford to revert to confrontation. But if it wills co-operation, it must will the appropriate structures. Pious expressions of participative goodwill are *not a substitute.*

Anthony Carter.
11-12, Maiden Lane, WC2.

Unequal classes

From Mr. J. Carr

Sir,—Mr. Furse (November 21) certainly has a point when he compares the protected position of public service pensioners with that of others past retiring age, notably those who were formerly self-employed. But instead of levelling down, would it not be better to provide some protection to all pensioners by extending the principle of index linking by allowing *pension funds to invest in a* special issue of Government securities whose value at redemption would be equal in purchasing power to their issue price?

If these securities bore a suitably modest rate of fixed interest, also indexed, the actuarial value of public service pensions could be calculated on the same basis, and salaries or pension rights and contributions subsequently adjusted to remove the inequality. As private pension funds could retain the right to invest in ordinary shares, property or paintings if they thought fit, they might indeed be slightly better placed than public employees.

The wisdom of granting fully indexed pensions to any section of the community is of course *questionable, now that optimism* about economic growth has gone. But unless those past working age are to be left to depend on intermittent reviews carried out *ad hoc* when conditions become intolerable, it might be better to link pensions with current earnings instead of retail prices. It is obviously absurd that retired public servants should be compensated for an increase in VAT imposed to allow income-tax to be *reduced, or for price increases* attributable to sterling depreciation or other external cause. Either average earnings or the CSO index of total home costs would be a better and fairer basis for indexation than the retail price index.

J. L. Carr.
56, Bournemouth Drive, Herne Bay, Kent.

Wages and costs

From Mr. M. Samuel

Sir,—Mr. Lorenz is to be congratulated on his excellent article (November 21) on "the secondary problems of the U.S. economy." As in the UK, the primary problem is currency overvaluation in relation to domestic cost levels in industry, or excess labour costs per unit of output at prevailing exchange rates. Wages and salaries per unit of output represent the main element in labour costs in industry but, if U.S. experience is similar to *the UK, such costs will have* been declining in relation to total labour costs for some time.

The growing "wedge" between wages and salaries and labour costs is the primary cause of the displacement of domestic industry or of "inferior" productivity. "Superior" productivity is synonymous with overvalued currencies.

Malcolm Samuel.
9, Moorfields Highwalk, EC2.

Local authority pensions

From Councillor A. Thompson

Sir, — Raymond Nottage (November 13) calls for Ministers and councillors to devote their attention to a possible switch of the local government superannuation scheme from the present funded basis to "pay as you go."

I can certainly think of no particular reason, other than historical ones, why the funded scheme for general local authority staffs should be financed so differently from the unfunded fireman's scheme or the notionally funded one for teachers. But that does not mean that the scrapping of funding would present no problems. It should not be assumed that funded schemes will show annual surpluses for ever, though it may seem like that at the moment. The local government scheme is likely to have a large positive cash flow for quite a few years yet, but probably a diminishing one attributable to factors in the recent past which have now run their course, namely, rapid growth in local authority staff numbers up to the mid-1970s and recent extensions in the coverage of the scheme, especially among manual workers.

If the funding were now stopped, this would remove a source of capital funds in the coming years, which would otherwise be available to finance both the public sector (through gilt purchases by the funds) and industry (through equities). The economic effects would be complex and varied, but among them would surely be an increase in the cost of capital to all borrowers.

As for the idea that the existing accumulated funds should be sold "to the public" (i.e., to other pension funds and institutions), this could be done either by selling equity shares in the *funds* or by *disposing* of their assets piecemeal. But I am not clear as to who would receive the proceeds of these sales, and what they are then supposed to do with them. The funds certainly do not belong to the central government. Nor are they the property of the major local authorities who administer them in trust for the beneficiaries, many of whom are not, and never have been, employees of those authorities. The suggestion that the employees and pensioners would have no legitimate interest in the matter, since they "would suffer no financial loss now or in the future" is valid only if it is assumed that unknown future governments could be trusted to make up any shortfall in a notionally funded scheme rather *than increasing* employee contribution rates to finance the present package of benefits.

The economic effects of switching to "pay as you go," with or without a break-up of the existing funds, could not be *known in advance* with any degree of certainty. I hardly think that Ministers would regard this proposal as a satisfactory substitute for the cuts in services and rate increases which their present policies offer. The figure which Mr. Nottage gives of a £422m saving to local authorities and the Exchequer in 1977-78 in respect of England and Wales—say, £600m this year for Great Britain—amounts to just about three-quarters of the cost to the public sector of the increased borrowing rates since last June, if interest rates remained at their present level for a year.

Andy Thompson
(London Borough of Lambeth).
3-76, Vassall Road, SW9.

Remittances to Pakistan

From the Second Secretary, The Embassy of Pakistan.

Sir,—In a story entitled "Pakistan trade deficit widens" (November 13), your correspondent in Islamabad stated that the remittances of Pakistani workers abroad "have tended to level off in the past year." This is utterly incorrect. In fact the contrary is true. These remittances, *which were only* \$130m in 1972-73 increased more than four-fold to \$578m in 1976-77 in the course of only four years.

In the following year, home remittances, mostly from the Gulf and Middle East, registered about 100 per cent growth to \$1.1bn and in 1978-79 to \$1.4bn.

Even the IMF survey showed that Pakistan had topped the list of four countries in 1978 *which had realised over* \$1bn remittances. These remittances are estimated to rise by another \$100m to \$1.5bn in 1979-80, according to a study made available to the Government of Pakistan.

Salim Gul,
London.

Today's Events

GENERAL

UK: Unions plan day of action in support of sacked Leyland *shop steward, Mr. Derek Robinson*—demonstration in Birmingham.

TUC finance and general purposes committee meets, London.

Sir Peter Parker, BR chairman, gives British Tourist Authority lecture on "British tourism—the next 50 years."

Birmingham Chamber of Commerce course on understanding the Arabs (to November 30).

Sir Peter Gadsden, Lord Mayor of London, lays foundation stone of International House, World Trade Centre, E1; dines with Bakers' Company, Mansion House.

Newspaper Society's technical conference and exhibition opens, Brighton (to November 29).

Conference on education of Vietnamese refugees in Britain, Royal Commonwealth Society, London.

Princess Margaret opens new Pollok shopping centre, Glasgow.

Royal Variety Performance, Theatre Royal, Drury Lane, London.

Overseas: EEC Budget meeting, Dublin.

Energy experts from 100 nations discuss long-term energy resources at UN conference, Montreal (to December 7).

ASEAN economic Ministers two-day meeting in Tokyo to study expanded economic co-operation.

Mr. Wilhelm Haferkamp, EEC external affairs commissioner, heads Common Market delegation in talks with Comecon, Moscow.

IATA annual meeting opens, Manila (to November 29).

Israel hands over Alma oil field in the Gulf to Egypt.

Fourth Quebec Province by-election.

PARLIAMENTARY BUSINESS

House of Commons: Debate on "punitive" mortgage rates (Opposition motion). Debate on the National Enterprise Board (Opposition motion).

COMPANY RESULTS

Final dividends: Concentric. J. H. Fenner Holdings. J. E. Sanger. Yarrow. Interim dividends: Chamberlain Phipps. Dawson International. Interim figures: Country Gentlemens Association. G. H. Downing. Louis C. Edwards and Sons. Edwards Jones (Contractors). Municipal Properties.

COMPANY MEETINGS

See Financial Diary on Page 28.

Lucas needs to step up overseas penetration

Lucas Industries plans to further increase its penetration of European and overseas markets. Sir Bernard Scott, the chairman, tells members in his annual review that this is the only way the group can sustain production at its UK vehicle equipment factories.

He says the directors consider "that it lies within our grasp and our recent important successes in the U.S., in Europe and elsewhere, underscore our confidence."

As reported on November 6, with lower UK profits offsetting gains overseas, pre-tax profits for the year ended July 31, 1979, were down £2.31m at £70.74m. Overseas profit rose by £6.2m to £28.9m.

UK external sales expanded from £562m to £606m and overseas sales climbed £57m to £466m.

The dividend per share, is increased from 9.1879p to 11p net with a final payment of 8.4326p.

On a CCA basis, along the Hyde guidelines, profit is reduced to £28.86m by additional depreciation of £25.63m, £27.09m extra cost of sales less gearing of £10.84m.

The balance sheet shows group fixed assets of £247.55m (£229.95m), net current assets up from £205.17m to £217.7m, and shareholders' funds, increased to £450.16m (£420.25m).

Net liquid funds show a £4.2m (£24.1m) decrease as at July 31.

Meeting, Birmingham, December 17, at noon.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Burnett and Hallamshire, Chamberlain Phipps, Colmore Investments, Dawson International, Derritron. Finals—Concentric, J. H. Fenner, J. E. Sanger, Yarrow.

FUTURE DATES

Interims—	
Alpine Soft Drinks	Nov. 30
Castings	Dec. 4
Lennons	Dec. 4
Property and Reversionary Inv.	Nov. 28
Tecalemit	Nov. 27
Tunnel Holdings	Nov. 29
Wheway Watson	Dec. 3
Finals—	
Cooper (Frederick)	Dec. 4
Dundee and London Inv. Tst.	Nov. 29
Fairline Boats	Dec. 4
North Midland Construction	Dec. 6
Ranks Hovis McDougall	Dec. 4
Tomkinsons Carpets	Nov. 30
Williams (John) of Cardiff	Dec. 4

Utd. City Merchants confident

MANAGEMENT reports for the first four months and the value of the order book at United City Merchants, makes Mr. Eric Sosnow, the chairman, confident of another successful year.

In his annual review he says that profits for the current year should be adequate to maintain the dividend on capital increased by the bonus issue.

As reported on November 8, the net dividend for the June 30, 1979, year is lifted from an adjusted 0.746p to 1.4p, with a 0.96p final, and a 0.537p special payment has been announced for 1979/80. Also proposed is a one-for-seven scrip.

The directors intend to continue the policy of declaring progressive increases in distributions.

During 1978/79, in which the group's taxable surplus rose 20 per cent from £2.62m to £3.18m, J. C. Gilbert maintained its position as the leading international supplier of raw materials to the gelatine industry, and expanded considerably its long-standing China trade.

Mr. Sosnow states that relations with the various trading organisations in China have become much closer, "and we are looking forward to further developments of our international trade in this area."

The group's international Barter trade continues to be active, he says, and directors have good prospects for some substantial transactions to mature in the near future.

The UK leather manufacturing division still faces cut-price competition from overseas leather imports, especially South Africa, but it continues to maintain its position in the market, and the timber side has a substantial carry forward of profitable contracts for shipment during the current year.

The chairman says the order book of the engineering and automotive sector, which contributed increased profits for 1978-79, is still full "and I anticipate continued success for this department."

The group's banking division had an excellent year, and the volume of banking activities, especially in the field of international trade, continues to grow, he states.

In India, the chairman says he continued negotiations with the Government on the Indianisation of the subsidiary, and for its flotation as a publicly-quoted company on the Bombay stock exchange.

These negotiations are still in progress, he adds; a successful conclusion, favourable to the company, is expected.

At balance date current assets amounted to £32.27m (£23.29m), of which stocks totalled £8.28m (£4.22m), and current liabilities stood at £22.91m (£16.22m). Creditors, accruals and bills payable were £15.37m (£10.71m), and bank overdrafts £6.41m (£3.25m).

Meeting, Hilton Hotel, Park Lane, W, on December 17 at noon.

FT share information

The following security has been added to the Share Information service appearing in the Financial Times:

Fogarty (E.) Defd. (Section: Industrials).

Public Works Loan Board rates

Effective from November 17

Years	Quota loans repaid by EIP†	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid at maturity§
Up to 5	15¼	15¼	15¼	16⅛	16	15¾
Over 5, up to 10	15¼	15¼	15	15⅞	15⅞	15⅝
Over 10, up to 15	15⅛	15	14⅞	15⅞	15⅞	15⅞
Over 15, up to 25	14⅞	14⅞	14⅞	15⅞	15⅝	15½
Over 25	14⅞	14⅞	14⅞	15½	15½	15½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

James Burrough lower midterm

AS EXPECTED, margins came under pressure at James Burrough in the six months to August 31, 1979. Taxable profits fell from £1.79m to £1.24m, on sales £2.76m higher at £17.05m.

The directors of the gin distiller say present indications are that second-half profits will be about the same as those now reported. In the past full-year the pre-tax surplus reached £3.35m.

The decline in first-half profits was due principally to the weakness of the dollar, the directors say. But the company also suffered from increased wage costs and higher prices of raw materials.

The major part of the sales rise was the result of a substantial improvement on the home market. However, this included a large element of duty, they add.

The net interim dividend is lifted from 1.474p to 1.62p and will be paid December 14. The directors expect that the final will not be less than last year's 3.35p.

Shares of the company are traded on the market made by M. J. H. Nightingale and Co.

R. Jenkins suffers £0.5m loss

ON TURNOVER lower at £4.99m against £5.51m Robert Jenkins (Holdings), engineering concern, suffered a turnround from profits of £528,000 to a loss of £498,000, for the six months ended September 30, 1979.

Mr. A. Robert Jenkins, chairman, says that firm and appropriate action has already been taken to reverse the trend, and that unless there is a further deterioration in the general market situation, the loss is expected to reduce substantially during the second half.

A profit, halved at £667,000 (£1.34m), was reported for 1978-79.

Loss per £1 share is given as 49.5p (23.4p earnings) at September 30, and the net interim dividend is 7p (6.7p)—last year's final payment was 15.189p.

The group, unquoted, is traded in the market made by M. J. H. Nightingale.

BIDS AND DEALS

Ley's and Fischer in joint venture

Ley's Foundries and Engineering and the George Fischer Group have agreed on the terms of their participation in a joint company to develop the manufacture of malleable, nodular and grey iron castings using Ley's existing Lincoln works.

The joint venture, in which Ley's and George Fischer will each have 50 per cent interest, will be called Leys George Fischer.

Following repayment by Leys George Fischer of £2.7m of existing loans from Ley's, Ley's and George Fischer will each have the same participation in Leys George Fischer, namely 50 per cent of total share capital and reserves of £4m and 50 per cent of total shareholders' loans of £4.4m.

George Fischer will make available to Leys George Fischer and to Ley's its technical knowhow and research facilities in the field of nodular iron castings production.

C. T. BOWRING

C. T. Bowring (Insurance) Holdings is acquiring a 90 per cent interest in W. Smith and Co. (Insurance Brokers), based in Carlisle for cash.

The value of the deal and net profits of Smith represent less than 1 per cent of assets and the net profits respectively of Bowring.

MIDLAND CATTLE

Midland Cattle Products is in negotiation with FMC with a view to acquiring FMC's animal by-products business at Stoke Bardolph an Calne.

Midland Cattle is a subsidiary of Thomas Borthwick.

DUNDONIAN

Following its move into property development through the purchase of Algrey Developments, shares of Dundonian will be requoted tomorrow.

They were suspended on November 5 at 58p.

Dundonian, the funeral service, finance, energy and mining company which is paying over £5m for Algrey, expects to complete the deal on December 19. The seller is Johnson and Firth Brown.

Dealings are also expected to start on November 27 in the new ordinary and preference shares issued under the £3.5m worth of rights issues made to finance part of the purchase.

PHILLIPS STORES PROPERTY SALES

Harirs Queensway, the furniture and carpet retailer, has sent shareholders a document containing the offer on behalf of its subsidiary, Hardy and Co. (Furnishers), for the £247,061 of 6½ per cent cum perference loan stock in Hardy's own subsidiary, Phillips Furnishing Stores.

The offer is part of a rationalisation being carried out by Harris following its acquisition of Hardy earlier this year. Eight properties owned by Phillips have been sold for £5.81m cash. They had a book value of £500,000 on March 31 this year but were revalued at £4.4m two months later. In addition, Phillips has purchased a freehold property for £200,000 cash. Further property transactions are being carried out and others are under consideration.

The credit sale business of Hardy have been sold to Tricity Finance for about £13.5m, which compares with a book value of around £13.1m on all unpaid balances outstanding on September 29 this year. Loans and interest amounting to £8.8m have been repaid.

SHARE STAKES

Electronic Machine Co.—J. P. Lobbenberg has acquired 85,000 shares, making his total interest 715,000 shares (29.18 per cent).

Montford (Knitting Mills)—Palma Textiles Group, an unlisted company, has acquired 360,000 ordinary (11.95 per cent).

Eastern Produce (Holdings)—Lawrie Plantations has acquired 62,000 ordinary, making holding 631,154 shares (6.01 per cent).

Fitzwilton—V. A. Ferguson has disposed of 30,000 shares, reducing holding to 483,888 shares.

Milford Docks chief urges 'no' vote on board changes

THE BOARD of Milford Docks Company has set January 11, 1980, as the date for the extra-ordinary general meeting to consider the Board changes proposed by a group of shareholders led by Scanoil. The meeting will be held at 11.30 am at the Lord Nelson Hotel, Hamilton Terrace, Milford Haven.

In a letter to shareholders, Mr. C. A. V. Smith, chairman of Milford Docks, urges them to vote against the proposal. The letter states that "since your Board took office in 1966 it has succeeded in operating profitably for the past 13 years. During this time it has paid off some £600,000 of debt, achieved a substantial deposit account and since 1976, has paid dividends for the first time in 22 years."

company," the chairman stated. CC 23 71/8 Charterhill 2-3

With the availability of the Buchan cash flow and the technical expertise the group had acquired in the oil industry, directors would continue to extend the UK offshore interests including the exploration of prospects on the rest of Licence P.241 outside the Buchan area, and also some C$200,000 of the $500,000 contributed by the Canadian subsidiary, to the joint venture with Renaissance Resources, had been spent in acquiring oil and gas prospect leases in seven areas in Western Canada, and one each in Kansas and Wyoming, of the U.S.

Drilling was expected to start on at least four of the prospects in the first quarter of 1980.

For the year ended June 30, 1979 turnover advanced to £741,187 (£599,741). Profit was £56,151 (£16,455 after tax credit £15,653), but after a £231,997 (nil) provision gainst diminution in value of certain oil investments, there was a loss of £175,846 (£16,455 profit).

Dividend at Charterhall in 1980/81

THE INTEREST held by Charterhall in the Buchan Field was the most important aspect of the company's activities and would, in the near future, provide a substantial cash flow, Mr. Derek Williams, chairman, told members at the AGM.

He said this would enable dividends to be paid and sustain future growth — no dividends have been paid since 1967.

Start of production at Buchan has been delayed several months and the directors, who anticipated enough funds to pay a dividend in the current year, expect to commence dividend payments in respect of the 1980/81 year.

"It is clear that the coming year will see much activity on the group's interests in the North Sea, Australia and North America and we look forward to the further growth of the

SPAIN

1979 High	1979 Low		Nov. 23 Price %
141	100	Asland	102
310	200	Banco Bilbao	200
353	204	Banco Central	204
222	199.2	Banco Exterior	206
288	200	Banco Hispano	200
174	136	Banco Ind. Cat.	136
213	187	Banco Madrid	187
348	203	Banco Santander	203
280	202	Banco Urquijo	204
285	202	Banco Vizcaya	202
261	195	Banco Zaragoza	195
220	100	Dragados	100
99	60	Espanola Zinc	60
67	49	Fecsa	58.2
76	35	Gal. Preciados	37
77.5	52.75	Hidrola	55.5
76	52	Iberduero	60.2
178	115.5	Petroleos	115.5
136	76	Petroliber	76
130	122	Sogefisa	122
82	59.5	Telefonica	60.2
99.7	55	Union Elect.	63.5

BRAZIL

1979 High	1979 Low		Nov. 22 Price Cruz
1.62	0.78	Acesita	1.30
2.93	1.25	Banco Brasil	2.36
1.68	1.24	Banco Itau	1.43
2.90	0.89	Belgo. Min.	2.10
3.40	1.95	Lojas Amer.	2.40
2.36	1.21	Petrobras PP	1.64
1.89	1.04	Pirelli	1.45
3.65	1.87	Souza Cruz	3.18
6.40	3.70	Unip PE	5.30
3.48	1.03	Vale Rio Doce	2.70

Turnover: 179.3. Volume: 80.1m.
Source: Rio de Janeiro SE.

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£000's capitalisatn.	Company	Last price	Change	Gross Div (p)	Yield %	P/E
4,451	Airsprung	77	−3	6.7	8.7	4.5†
1,050	Armitage and Rhodes	42	−1	3.8	9.0	2.7†
6,721	Bardon Hill	220	−1	13.8	6.3	8.5†
4,594	Deborah Ord	83	—	5.0	5.4	10.2
1,425	Deborah New Ord fully paid Rights	83	—	—	—	—
708	Deborah 17½ CULS	383	—	17.5	6.0	—
15,789	Frederick Parker	105	+2	12.8	12.2	8.1†
2,342	George Blair	110	—	16.5	15.0	—
1,525	Jackson Group	81	+3	5.2	8.5	3.6†
15,456	James Burrough	112	−6	7.2	6.4	9.5
2,550	Robert Jenkins	250	—	31.3	12.5	4.9†
3,477	Torday Limited	226xd	—	14.3	6.3	8.9†
4,274	Twinlock Ord	20	−2	0.8	4.2	3.8†
2,047	Twinlock 12½% ULS	75	+1	12.0	16.0	—
6,821	Unilock Holdings	63	—	2.6	4.8	11.3
10,105	Walter Alexander	80	−1	4.4	5.5	5.3
427	W. S. Yeates	163	−1	11.5	6.3	7.1
3,906	W. S. Yeates New	186	−1	—	—	—

† Accounts prepared under provisions of SSAP 15.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BANKING — BY JOHN EVANS

Widening shockwaves from Iran

THE TENSE U.S./Iranian confrontation continued to send reverberations throughout the international banking system and Eurocurrency network last week, prompting bankers to claim that certain basic assumptions over the functioning of the two closely interlinked systems must now be called into question.

The hopes that Iran will act to honour its international debt was dashed last Friday by remarks by the Iranian Foreign Minister, Mr. Abol Hassan Bani-Sadr, that foreign debt obligations totalling $15bn will not be paid.

At the same time, there was growing criticism outside the U.S. of President Carter's decision on November 14 to freeze official Iranian funds, underlined by European fears that their banks were being drawn into the current political and monetary confrontation against their will.

By the end of the week, many participants in the international financial markets were expressing deep pessimism. Senior bankers predicted protracted legal hearings to sort out the mess, even if Washington and Tehran quickly resolve their dispute after the "unprecedented" events of the last few days.

Explaining their concern about the future integrity of the offshore capital markets, bankers said that upheavals over the last week must raise doubts about extra-territorial interference in the Eurocurrency markets, long considered immune from most forms of sovereign control.

President Carter's order that the freeze should extend to Iranian accounts of U.S. bank operations outside the U.S. is widely considered to lack any legal standing outside the U.S. although most banks and monetary authorities appear to be bowing to America's enactment of "force majeure" in this matter.

Several bankers argued that the syndicated loan markets—responsible for the assembly of some $60bn to $70bn annually of international finance for countries in payments difficulties, as well as other classes of borrower—would now decline in importance.

Such are the legal and other implications of last week's events, that major banks will become unwilling to co-operate closely in widely-underwritten syndicated loans.

It was also claimed that the international banking system, which has long relied on deposits from the OPEC nations as a source for their own syndicated loan activities, must become much more wary over accepting Mid-East petrodollars for these purposes on prudential grounds.

Iran has finally demonstrated that the transformation of short-term deposits into long-term bank loans must be regarded as extremely risky, bankers said. There is also the question, as the U.S. Treasury Secretary, Mr. William Miller, travels to the Gulf this weekend for talks, whether OPEC nations themselves will be as willing in future to make deposits so freely with U.S. and other banks, thus removing an important source of liquidity from the Eurocurrency interbank markets.

But, illustrating the current confusion, other banks argued that depositors may become much more reluctant to place funds in domestic capital markets, and could turn to the Eurocurrency markets, despite the latest upheavals, as a more politically-acceptable home for their funds.

The centre of attention in Euromarkets last week was the declaration of default on the $500m loan advanced to the Imperial Government of Iran, a development which triggered new concern in markets about the status of Iran's foreign debt.

In a London statement, Iran's central bank, Bank Markazi, quickly insisted that the loan could not be considered in default as it had authorised a payment for the loan interest due before the Presidential freeze. Since the U.S. blocking action, Iran has apparently been unable or unwilling to make payments on international syndicated borrowings, which typically involve both American and other foreign banks.

Late on Friday, Chase Manhattan Bank, the agent for the loan, explained that Bank Markazi had indeed requested such a transfer of funds in connection with the Imperial Government loan. But, because of the President's freeze, Chase's head office could not execute Bank Markazi's request on the day it was supposed to because to have done so would have been a violation of U.S. laws.

Chase said that it then advised Tehran of its inability to make the payment, gave notice to the other syndicated banks "of the payment default" and then requested instructions as to the action they desired. "By November 19, the requested majority of lenders had instructed the agent bank (Chase) to accelerate the loan and demand repayment . . ."

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
††Sweden	100	1984	5	*	*	Salomon Bros.	*
††Sweden	100	1999	13	*	*	Salomon Bros.	*
††Citicorp O'seas Finance Corp.	300	1984	4.5	—	100	CSFB	—
†Long-Term Credit Bank of Japan	75	1986	7	5¼Φ	100	CSFB, Credit Lyonnais	5.319Φ
Club Mediterranée Haiti §	8	1995	14	8¾	100	Credit Lyonnais	8.500
†Barclays O'seas Invsc. Co. (g'teed Barclays Bank Intnl.)	100	1990	10	5Φ	100	Barclays Bk. Intl.	5.063Φ
D-MARKS							
‡Norges Kommunalbank (g'teed Norway)	150	1994	10½	8¼	100	WestLB	8.250
‡Nederlandse Gasunie	100	1986	5¼	8	100½	Commerzbank	7.904
‡**Oesterreich Kontrbk. (g'teed Austria)	100	1984	5	8	100	Commerzbank	8.000
SWISS FRANCS							
‡§**Fuji Heavy Industries	60	1985	—	5¼	100	SBC	5.250
Tauern-Kraftwerk	40	1989	—	5¼	100	SBC	5.250
‡**Hokushin Electric (g'teed Sumitomo Bk.)	40	1984	—	5¼	100	Credit Suisse	5.250
‡**Mitsubishi Oil (g'teed Mitsubishi Bank)	40	1984	—	5⅛	100	Credit Suiss	5.125
YEN							
‡Australia	30bn	1991	9.9	8.2	99¼	Nomura Securities	8.437
AUSTRIA SCHILLINGS							
‡Eurofima	350	1994	8	8	99½	Girocentrale	8.059

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund.
Note: Yields are calculated on AIBD basis.

U.S. BONDS BY STEWART FLEMING

Caution continues

IN SPITE OF further evidence in an easing of the rate of growth in the U.S. money supply and a slackening in bank lending since mid-October, the bond and money markets are continuing to view the immediate outlook for interest rates cautiously.

Short-term interest rates, it is true, are still holding below the highs they hit in the aftermath of the Federal Reserve Board's renewed assault on inflation announced on October 6. Last week, for example, the Central Bank waited until the Federal Fund's interest rate was trading around 12 per cent before draining bank reserves and so putting upward pressure on interest rates. This contrasts with the much stricter stance it was taking in the two weeks after the October 6 measures when the Fed did not seem unduly disturbed by a Fed Fund's rate in the 16 per cent range.

In the money markets too last week, short rates eased in the one-to-three-month — maturity range by between 5 and 35 basis points (there are 100 basis points to a percentage point).

These developments are in line with predictions being made two weeks ago, partly in response to the evidence of a slower monetary growth in October, that a much needed period of greater stability could be expected in the credit market, at least through November and early December. But as Chase Manhattan Bank points out in this week's issue of its money market report, investors are "somewhat apprehensive that any further deterioration in the Mid-East situation could push market prices sharply lower."

Earlier this year such signs, although they proved misleading so far as interest rates were concerned, were enough to give the bond market a solid base for a rally on the grounds that the expected economic recession would result in an easing in inflationary pressures

But investors now are concerned that there may be further shocks ahead, particularly in relation to oil prices and inflation, before the economy slows significantly. They are uneasy too about the timing of the expected slow-down, with some economists suggesting it is already under way

INTERNATIONAL BONDS — By FRANCIS GHILES

Dollar freeze loosens its grip

THE FIRST signs of a thaw in Eurodollar bonds appeared last week. As Ross and Partners (Securities) put it in their weekly telex to investors: "Iran is all the news—but have you noticed the recession?"

Straight dollar bonds lost ground on the week despite the price gains posted on Friday. However, dealers reported at the end of the week a higher volume of business than has been seen for some time. And new issue activity is increasing though it remains confined to the floating note sector.

Deutsche-Mark bonds chalked up some impressive gains which led to a coupon-cutting spree on new offerings. Iran's reported refusal to take dollars in future payment for its oil may not have affected the Deutsche Mark last week but it certainly encouraged dealers in foreign Deutsche Mark bonds to mark up prices sharply.

Swiss franc bond prices improved on the week and the big three Swiss banks decided to reopen the market for public offerings which they had closed three weeks before.

The better climate in the dollar sector was not lost on borrowers, which were certainly quick off the mark. Following on the success of the $300m floating rate note for Citicorp, Barclays Bank International launched a $100m FRN through its Dutch finance subsidiary. This is the ninth Eurobond for this borrower, but its first floating rate issue.

Four other FRN issues totalling $210m are expected this week. They include a $60m eight-year FRN for Allied Irish Bank; a $75m FRN for Union de Banques Arabes et Francaises, through Credit Lyonnais; a $50m FRN for Banque de l'Union Europeenne; and a $25m floater for Multibanco Comermex the private Mexican bank, through Manufacturers Hanover.

While banks were left to grapple with the deepening crisis over Iran's debt, bond traders were assessing some of the factors which helped improve the climate in the dollar secondary market last Thursday and Friday, and which could lead to something of a rally this week.

First, U.S. dollar interest rates have fallen by about a ½ point since the middle of November, accelerating a trend which had been in evidence since the end of October. After the drop in U.S. car sales and housing starts, analysts noted Bank of America's decision to cut rates on both fixed and floating rate mortgages. Another factor is the growing evidence that deliveries of oil products to the U.S. are falling. Because the price of oil is rising faster than the Americans are conserving it, this year's bill will rise, but at least things are moving in the right direction.

Some European banks said that the U.S. decision to freeze Iran assets had made some investors very "jumpy." The result was that a number of requests to switch money from bank deposits to bearer securities had been received, they claimed.

How strongly demand for dollar paper develops and how long the new issue "window" — which is limited to floating rate paper — remains open, depends on a number of factors: certainly the weight of money waiting to move back out of deposits is by all accounts very large. Furthermore, reflows of principal and interest on outstanding dollar bond issues will amount to $1.4bn next month, the highest ever monthly figure.

The sharp rise in yields offered on Deutsche Mark foreign bonds in recent weeks, combined with the fact the West German Government completed its 1979 borrowing plans 10 days ago, helped this sector. So did the quality of the borrowers tapping the market: Norges Kommunalbank, Oesterreichische Kontrollbank and that target for any investor, a prime corporate name which has never borrowed abroad.

The DM 100m issue for Gasuni was priced at 100½ after the initial coupon was cut by ¼ per cent to 8 per cent last Friday. This pricing above par, which is unusual, was inevitable after the Norges Kommunalbank issue, which had also had its indicated coupon cut by ¼ per cent to 8¼ per cent, started trading at 100¾ last Friday.

If the recovery in this sector continues, the Deutsche Bank may decide to bring the large issue it is planning for a supranational borrower earlier than planned.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	88¾	89¼	+0¼	+0¼	11.97
Alex Howden XW 9½ 91	30	77	79	0	0	13.31
Australian Res. 9⅝ 84...	30	91½	92	+0⅛	0	11.99
Avco O/S Cap. 10⅝ 87	40	†84	84½	+0⅛	−0⅛	13.71
Beneficial Fin. 9⅞ 87 ...	100	89¾	90⅛	+0⅛	−0⅜	11.81
CECA 10⅞ 91	150	86⅞	87⅛	+0⅛	−0⅛	12.92
CECA 9⅞ 99	125	80⅝	80⅞	+0⅛	+0⅛	12.78
Canadian Pacific 9⅝ 89	50	89	89½	+0⅛	−0¾	11.68
Carter Hawley 9⅞ 86 ...	50	89⅞	89⅝	+0⅛	−0⅞	12.16
Comalco Inv. E. 10⅝ 91	40	89⅝	89⅝	0	−0⅛	12.03
Continental Grp. 9⅝ 86	100	89⅝	90⅝	+0⅛	−0⅛	11.86
Dome Petroleum 10 94	50	86½	87	+0⅛	−0⅛	11.94
Dominion Bridge 10⅝ 84	30	92⅞	93⅜	+0⅛	−0⅛	12.26
Dow Chem. O/S 9⅝ 94	200	86⅝	87⅛	+0⅛	−0⅛	11.53
EIB 9⅞ 87	150	†90¾	91½	+0⅛	−0⅛	12.02
EIB 10 99	150	†87	88	+0½	−1¼	11.97
EIB 10⅝ 87	100	†91½	92¼	0	−0⅛	12.13
EIB 10.15 99	100	†87⅞	88⅜	−0½	−2⅛	12.03
Export Dv. Cpn. 9⅞ 84	100	91¼	91¾	+0⅛	−0¼	11.87
Export Dv. Cpn. 9⅝ 84	150	92⅝	92⅞	+0⅛	−0⅛	11.31
Finland 9⅝ 89	100	†86⅝	87⅛	−0⅛	−0⅛	12.23
GTE Finance 9½ 84	50	92¼	92¾	+0⅛	+0⅛	11.80
GTE Finance 9⅝ 89	55	87½	88	+0⅛	+0⅛	11.84
GMAC 9⅝ 86	100	89⅝	90⅛	+0⅛	−0⅛	11.50
Gould Int. Fin. 9⅝ 85	50	91⅝	92⅛	+0⅛	−0⅛	11.88
Hudson Bay Co. 10 94	50	90	90½	+0⅛	−0⅛	11.40
ITT Antilles 9½ 89	75	86⅛	86⅝	0	−0⅛	11.96
Kennecott Int. 9½ 86 ...	100	87	87½	+0⅛	0	12.45
Manitoba 9½ 89	75	87⅛	87⅝	+0⅛	−0⅛	11.73
Michelin 10 94	125	85⅝	86⅛	+0⅛	−0⅛	11.98
Nat. Des. Telecm. 9½ 86	100	89⅞	90⅜	0	−0⅛	11.71
New Brunswick 9⅝ 94	75	85⅝	86⅛	+0⅛	−0⅛	11.83
Newfoundland 10 94 ...	50	88⅞	89⅜	+0⅛	+0⅛	11.51
Norges Komm. 9⅞ 99 ...	100	†87	88	+0⅛	−0⅛	11.81
Norway 9½ 84	150	92⅛	92⅝	+0⅛	−0⅛	11.76
Nova Scotia Pwr. 9⅝ 89	50	88	88½	+0⅛	−0½	11.85
Occidental Fin. 10⅝ 84	50	†93½	94	+0⅛	+0⅛	12.08
Orient Leasing 9½ 86	25	†87⅝	88⅛	+0⅛	0	12.22
Pennwalt O/S F. 9⅝ 84	25	91⅝	92⅛	+0½	+0⅛	12.11
Pepsico Cap. 9⅝ 84 ...	100	92⅛	92⅝	0	−0⅛	11.58
Quebec Hydro 10 99 ...	75	87⅞	88⅜	+0⅛	−1⅛	11.64
Sears Roebuck 9 82 ...	150	93⅜	93⅞	+0⅛	−0⅛	12.40
Statoil 9⅝ 89	100	88⅝	89	0	−0⅛	11.60
Sweden 9⅝ 89	100	87⅞	88⅜	0	−0½	11.91
Sweden 9⅝ 86	200	†89⅝	90⅛	0	−0½	12.08
Sweden 9⅝ 84	100	92⅛	92⅝	+0⅛	−0½	11.84
Unilever NV 9⅝ 87 ...	100	88⅝	88⅞	+0⅛	0	11.55
Warner-Lambert 9 84 ...	100	91½	92	+0⅛	−0⅛	11.37

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 8 87...	100	97¾	98½	0	+0⅛	8.33
Argentina 7½ 89	150	92¼	93	0	−0⅛	8.66
Asian Dev. Bk. 7⅝ 89...	100	93⅛	93⅞	+0⅛	+1⅛	8.24
Banco Desarrollo 7⅝ 86	100	93⅝	94⅛	+0⅛	+0⅛	8.57
Barclays O'seas 6⅞ 89	100	91½	92¼	+0⅛	+1⅛	8.00
Brazil 8 87	150	97¼	97¾	−0⅛	+2⅛	8.47
CECA 7 91	150	93⅞	94⅛	+0⅛	+2⅛	7.82
Council of Eur. 7⅝ 89...	100	96	96⅝	+0⅛	+1	7.80
Denmark 6½ 89	100	87⅞	87⅞	+0⅛	+0⅛	8.51
EEC 7⅝ 94	225	97⅝	98⅛	+0⅛	+1⅛	8.12
EIB 7½ 89	200	98⅝	98⅞	+0⅛	+2⅞	7.64
Eletrobras-Brazil 7 87...	100	92⅞	93⅞	+1⅛	+1	8.32
Eurofima 6½ 89	100	95	95⅛	−0⅛	+0⅛	7.20
Kobe, City of 7⅛ 89 ...	150	96⅞	97⅛	+0⅛	+2½	7.53
Mitsubishi Chem. 6⅝ 84	70	95⅝	96⅛	+0⅛	+0⅛	7.58
New Zealand 7⅛ 87 ...	200	96⅞	97½	+0⅛	+2⅛	7.62
Nippon Kokan 6½ 84 ...	100	94⅝	95	+0⅛	+0⅛	7.99
Nippon Tel. & T. 6½ 87	100	87	87⅝	+0⅛	+0⅛	7.86
Norges Komm. 7⅝ 91...	150	99⅞	100⅜	+0⅛	+2	7.74
Norway 6⅝ 84	200	96⅝	97⅛	+1	+1⅛	7.08
OKB 6 87	40	87½	88⅛	+0⅛	+0½	8.27
OKB 7⅛ 89	100	95⅞	96⅛	+0⅛	+1⅛	7.93
Tokyo Elec. Pwr. 6½ 85	200	95⅛	95⅞	+1⅛	+3⅛	7.53
World Bank 7⅝ 91	400	97⅝	98⅛	+0½	+1⅛	8.01

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	98⅛	98⅝	−0⅛	+0⅛	5.74
Aumar 5 89	60	95½	95⅞	−0⅛	−2⅛	5.60
Australia 3⅞ 89	250	92⅝	92⅞	+0⅛	+0⅛	4.59
Bergen, City of 4⅛ 91	40	96⅞	97⅛	−0⅛	−1⅛	5.08
BNDE 5 89	75	89⅝	90⅛	−0½	0	6.41
BMW Overseas 4¾ 91	100	96⅝	96⅞	−0⅛	−0⅛	4.57
Caisse Nat. Tel. 4½ 89	300	[illegible]	98⅛	+0⅛	+0½	4.60
Canada 3⅝ 89	60	95⅝	[illegible]	−0⅛	+0⅛	4.67
Copenhagen 4½ 91	100	95	95⅝	+0⅛	0	4.98
EIB 4½ 91	100	90½	90⅞	−0⅛	−1⅛	4.68
EIB 4¾ 94	100	97½	97⅞	−0⅛	0	5.29
Elet. de France 4⅝ 89	100	92	92⅛	−0⅛	+0⅛	4.37
GZB 4⅝ 89	35	98⅛	99	−0⅛	−2⅛	5.02
Hitl 4½ 91	230	84½	85	+0⅛	+0⅛	5.34
ICI Fin. NV 3⅞ 94	100	93⅞	93⅞	+0⅛	−1⅛	6.38
Int.-Amer. Dev. 4½ 89...	80	90	90⅛	−0⅛	−0⅛	4.59
Malaysia 5 89	100	97⅛	97½	−0⅛	−0⅛	5.00
Nippon Tel. & T. 4⅝ 89	45	99⅜	100⅛	−0⅛	0	5.12
Nordic Bank 5 89	100	93⅛	93⅝	−0⅛	−1⅛	5.53
Norges Komm. 4¾ 91	100	85	85½	+0⅛	−0⅛	5.33
OKB 3⅞ 91	100	91½	92	−0⅛	+0⅛	5.19
OKB 4⅞ 91	100	92⅞	93	−0⅛	+0⅛	5.22
Oslo, City of 4⅝ 91	60	90	90⅛	−0⅛	−0⅛	4.99
Pfand Ost. Lands 4 90	100	98	98⅛	−0⅛	−0⅛	4.86
Shikoku El. Pwr. 4⅝ 89	100	92½	92⅞	0	−0⅛	4.88
Spain 4 91	60	98⅛	98⅝	0	−0½	4.75
Steweag 4⅞ 91	90	99⅞	100⅛	0	0	4.84
Voest-Alpine 4⅞ 89	100	98⅛	98½	+0⅛	+0⅛	5.00
World Bank 4⅝ 89	150	95⅛	95⅝	+0⅛	+0½	5.25
World Bank 4⅝ 91	100	94⅛	94⅝	−0⅛	+0½	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	88⅝	89⅛	0	+0⅛	9.02
Australia 5½ 88	20	84⅞	85⅞	0	−0½	9.09
EIB 7⅝ 89	12	97⅝	98⅝	0	0	8.05
Finland 5.6 83	10	87⅝	88⅝	0	−0⅞	9.36
Finland 6.8 88	10	87⅝	88⅝	0	0	8.95

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco Fin. 10⅝ 86 C$	25	†87	87½	−0½	−1⅛	13.27
Bell Canada 10⅝ 86 C$	60	†92⅛	92⅝	+0⅛	+0⅛	12.42
Cr. Foncier 10⅝ 84 C$	30	†88⅝	89⅛	0	−0⅛	13.57
Ex. Dev. Cpn. 10 84 C$	50	†90⅝	91⅛	−0⅛	−0½	12.71
Fst. Can. Inv. 10 84 C$	50	†90½	91	0	−0½	12.79
Hudson Bay 10⅝ 89 C$	60	†88⅞	89⅜	0	−0⅞	12.43
Quebec 10⅝ 86 C$	50	†88⅝	89½	−0⅛	−0½	12.81
R. Bk. Canada 10 86 C$	40	†89⅛	89⅝	0	0	12.42
R. Bk. Canada 10 94 C$	40	†84⅛	84½	−0⅛	−0⅛	12.32
Copenhagen 8⅝ 91 EUA	25	94⅝	95½	0	−1⅛	8.97
Copenhagen 8⅝ 91 EUA	20	100⅝	101½	+0⅛	+0⅛	8.62
SOFTE 8⅝ 89 EUA	40	90⅞	92⅛	0	+0⅛	9.65
Algemene Bk. 8⅝ 84 Fl	75	96½	97	−0⅛	−0⅛	9.10
Amev 8½ 86 Fl	75	96⅞	97⅞	+0⅛	−0⅛	9.07
Ned. Middbk. 8⅝ 84 Fl	75	96	96½	+0⅛	−0⅛	9.31
Norway 8⅝ 84 Fl	100	95⅝	96⅛	−0⅛	−0⅛	9.40
Norway 8⅝ 84 Fl	100	96⅛	96⅝	0	−0⅛	9.16
Rabobank 9 84 Fl	25	100	100½	+0⅛	−0½	8.93
Air France 11 84 FFr	120	98	98⅛	+0⅛	0	11.43
Euratom 9⅝ 87 FFr	150	85⅝	86½	+0⅛	+0⅛	12.72
Finland 11 84 FFr	80	96	97	0	−0⅛	11.97
Finland 11½ 89 FFr	70	95	96	0	−0½	12.30
Gaz de France 11 84 FFr	150	97	98	+0⅛	+0⅛	11.68
Norway 9⅝ 84 FFr	200	89⅞	90⅝	0	0	12.43
PSA Peugeot 9⅝ 87 FFr	175	85⅝	86⅛	0	+0½	12.89
Renault 9⅝ 85 FFr	100	88⅝	89⅛	+0⅛	+1⅛	12.52
Saint-Gobain 9⅝ 86 FFr	130	85⅞	86⅞	+0⅛	+0⅛	12.95
Solvay et Cie 9⅝ 87 FFr	125	85½	86½	+0⅛	+0⅛	12.76
Total Oil 9⅝ 87 FFr	150	84	85	+0⅞	+1	12.73
Citicorp 10 93 £	20	82⅞	83⅞	−0⅛	+0½	12.69
EIB 9⅝ 88 £	25	78	78⅞	+0⅛	+0⅛	14.37
EIB 11½ 91 £	25	83⅝	84⅝	0	+0⅛	14.38
Finance for Ind. 13 91 £	15	90½	91⅛	+0⅛	+0⅞	14.65
Fin. for Ind. 12½ 89 £	30	89⅛	90⅛	+0⅛	+1⅛	14.48
Gen. Elec. Co. 12½ 89 £	50	89⅝	90⅝	+0⅛	+0⅛	14.49
Indonesia 8⅝ 91 KD	7	*193⅝	94⅛	0	−0⅛	9.63
Mitsubishi 7½ 84 KD	10	*195⅝	95⅝	0	0	8.69
Norges Kom. 7½ 88 KD	12	*193⅝	93⅝	0	0	8.51
Occidental 8⅝ 91 KD	7	*191⅞	92⅝	0	0	9.39
Akzo 9⅝ 87 LuxFr	500	96	97	0	−0⅛	9.90
Euratom 8 87 LuxFr	500	90⅝	91⅝	0	+0⅛	9.73
Norges Kom. 8 86 LuxFr	500	90⅝	91⅝	+0⅛	+0⅛	9.91
Oslo, City of 8 89 LuxFr	500	90⅛	91⅛	0	+0⅛	9.54

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma Int. 6 87	0⅛	99⅝	100⅛	26/4	15⅝	15.77
Bco. Nac. Argent. 7 86	0⅝	97⅞	97⅝	22/3	13.19	13.53
Banco Prov. BA 7⅝ 86	0⅝	97⅞	98⅛	12/12	11	11.21
Banco Urquijo 6 86	0⅛	97	97½	21/3	13⅝	13.75
Bank of Ireland 5⅝ 89	0⅛	97⅛	98	21/2	5⅝	5.37
Bank of Tokyo 5⅝ 89	0⅛	98⅝	98⅞	25/10	16.19	16.43
Bqua. Indo Suez 5⅝ 89	0⅝	98	98½	11/1	11	11.20
BNP 5½ 91	0⅛	97	97½	22/2	11.94	12.28
Citicorp O/S Fin. 6 94	‡0⅛	99⅛	99⅝	8/12	12.81	12.89
Citicorp O/S 83	§‡0	99⅛	99⅝	23/11	11.88	11.94
Co-operative Bk. 8 86	0⅛	97⅝	98⅛	15/5	15.06	15.39
Creditanstalt 5½ 91	§‡0⅛	98	98½	14/12	12.94	13.17
CNT 5⅝ 86	§0⅛	99	99½	16/4	15.19	15.30
GZB 5½ 89	‡0⅛	98⅞	99⅛	1/2	16.19	16.33
Jugobanka 8 89	0⅝	94⅞	95⅜	23/11	11⅞	12.47
LTCB Japan 5½ 89	0⅛	98⅝	99⅛	7/12	11⅛	11.25
Mfrs. Han. O/S 5⅝ 94	‡0⅛	99⅛	99⅝	23/11	12.56	12.64
Nacional Fin. 6⅝ 86	0⅝	96½	97	25/1	11½	11.89
Nat. West. 5⅝ 94	§0⅛	97⅝	98⅛	11/1	14.94	15.26
Nippon Cred. Bk. 6½ 86	0⅛	96⅞	97⅝	12/1	10⅞	11.20
Royal Bk. Scot. 5⅝ 94	§‡0⅛	99⅛	99⅝	11/1	14.94	15.15
Soc. C. de Bque. 6⅝ 87	0⅛	96⅝	97⅛	3/4	13⅛	13.68
Sogenal 5⅝ 89	§0⅛	96⅝	96⅞	11/1	10.81	11.20
Sweden 5⅝ 91	§0⅛	†97⅛	97⅝	18/1	15	15.40
TVO Pwr. 9 91 (D-lock)	0⅛	97	97⅝	24/11	11⅛	11.44
Utd. Overseas Bk. 6 89	‡0⅛	97⅛	97⅝	29/12	12.94	13.29
Williams & Glyn 5⅝ 81	0⅛	97⅛	97⅝	14/3	13	13.35
Bq. E. d'Alg. 4⅝ 89 SF	0⅝	94⅞	95½	18/12	4⅝	4.47

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag 7⅛ 89	10/79	145	92½	93⅛	+0⅛	−3.03
Alco Int. Fin. 9½ 94	1/80	40	83⅞	94⅛	+0⅛	16.59
Asahi Optical 7 94	11/79	805	84⅞	85⅞	+0⅛	5.38
Canon 6⅝ 94	8/79	570	95⅝	96⅛	+0⅛	−0.90
Ciba-Geigy O/S F. 4 94	9/79	875	87⅞	88½	0	2.80
[illegible] Suisse 4¾ 93	10/79	1325	101	102½	−0⅛	1.24
Honda Motor [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LPC Internatnl. [illegible]	11/79	1020	95	96	+0⅛	10.45
Meidensha Elec. 7 94	10/79	[illegible]	93⅛	94⅛	+0⅛	0.98
Mitsubishi Cp. 6⅝ 94	12/79	339	84½	[illegible]	−0½	−1.83
Nippon Seiko 7⅝ 94	7/79	735	79	80⅛	+0⅛	1.63
Nitto Elec. Ind. 6 94	10/79	198	92⅛	93⅛	+0⅛	25.55
Toshiba Cpn. 7⅛ 94	2/80	125	103⅛	104⅛	−0⅛	3.75
Union Bk. Switz. 5 89	7/79	475	96⅞	97⅞	+0⅛	28.63
Fujitsu 5 84 DM	4/79	1234	89	90	−3½	74.48
Kansai Elec. 4 84 DM	4/79	476	97⅞	[illegible]	+0½	156.45
Tokyo Elec. 3½ 87 DM	4/79	493	78⅝	[illegible]	+0⅛	63.84
Tokyu Ld. Cp. 4 86 DM	4/79	[illegible]	97⅝	[illegible]	+0⅛	28.09
Uny Co. 6½ 85 DM	11/79	1071				

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Nov. 23 ...	90.42	10.43	80.90	11.12
Nov. 16 ...	90.56	10.36	81.03	11.09
High '79 ...	95.75	(1/2)	89.99	(30/1)
Low '79 ...	90.02	(5/11)	80.50	(5/11)

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	589.1	1,999.2
Previous week	893.2	1,470.2
Other bonds		
Last week	188.6	308.2
Previous week	207.7	328.4

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs; Merrill Lynch International Corporation; Hambros International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co., Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on November 23

WORLD STOCK MARKETS

NEW YORK

1979 High	1979 Low	Stock	Nov. 23	1979 High	1979 Low	Stock	Nov. 23
24⅞	18⅛	Cincinnati Mil.	23⅜	26¾	21	Genuine Parts	24¾
25¼	20⅝	Citicorp	20⅝	30¼	23¾	Georgia Pac	24
65⅝	53⅛	Cities Service	86⅝	45⅝	27¾	Geosource	45⅝
21⅝	14	City Investg.	17¾	30⅝	23⅝	Gerber Prod	23⅝
45	36	Clark Equipment	37¼	73	35½	Getty Oil	71½
37	17½	Cleve Cliffs Iron.	31	24¼	14⅝	Giddings Lewis	22⅝
15	9⅞	Clorox	10	28	23⅝	Gillette	25⅝
12½	3⅝	Cluett Peaby.	8⅞	28⅛	14⅝	Global Marine	27⅜
45	31¾	Coca Cola	32⅝	23⅞	17⅝	Goodrich (BF)	19⅞
7⅛	5½	Coca Btl. NY	6	18⅛	12	Goodyear Tire	12¼
19	15⅞	Colgate Palm	14	29¾	22¼	Gould	24⅛
10⅝	7½	Collins Aikman	7¾	39⅞	25⅝	Grace	35⅝
51⅛	34	Colt Inds.	43¾	39	31¼	Grainger (WW)	35

1979 High	1979 Low	Stock	Nov. 23	1979 High	1979 Low	Stock	Nov. 23
51⅝	40	McDonald's	41⅛	20⅝	11⅝	Russell Stvr.	14⅞
35¾	20	McDonnell Doug.	31¾	25¼	14⅞	Ryan Homes	20
32¼	24¼	McDonough	24⅞	30⅝	13⅛	Ryder System	22¼
31⅝	24	McGraw Edison.	25⅛	26⅝	20⅝	SPS Technolog	23⅝
33¾	25⅝	McGraw-Hill	25½	38	25¾	Safeco	35¼
16⅝	10⅝	McLean Truckg.	12⅛	46	34⅝	Safeway Stores	34½
29¼	23	Mead	24¼	34½	21¾	St. Joe Minls	31⅝
27¾	20¼	Media Genl	22⅞	59⅞	34⅝	St. Louis-San F.	54
31⅞	25½	Mellon Natl	28¾	41⅝	27½	St. Paul Cos.	38⅛
31⅝	26	Melville	26⅛	36¼	25½	St. Regis Paper	27¼
38½	19	Memorex	19⅝	54¾	29⅛	Santa Fe Inds.	53¼
40¾	33¼	Mercantile Strs.	39	33¾	19	Santa Fe Intl	33¾
71⅝	63⅛	Merck	71	9	5½	Saul Invest	6¾
35⅞	27½	Meredith	32	8⅝	4⅜	Saxon Inds	7⅛
21¾	18⅝	Merrill Lynch	18⅝	38	26¼	Schering Plo	29

CANADA

HOLLAND

JAPAN

ITALY

NORWAY

SWEDEN

SWITZERLAND

SINGAPORE

SOUTH AFRICA

AUSTRALIA

HONG KONG

FRANCE

AUSTRIA

BELGIUM/LUXEMBOURG

GERMANY

DENMARK

TEL AVIV

Company	Price	Change
Elco Br.	180	— 4
Argaman Textile Br.	184.5	—315
"Ata" Textile "B"	120	—14
American Israeli Paper Mills	379	—
Assis	327 sell	— 39
Elite	216	— 48
Texa Reg.	484	— 27.
Fuel and Oil		
Delek	155	— 31.

Source: Bank Leumi le Israel, B.M.

Indices

NEW YORK—DOW JONES

	Nov. 23	Nov. 21	Nov. 20	Nov. 19	Nov. 16	Nov. 15	1979 High	1979 Low	Since Compil't'n High	Since Compil't'n Low
◆ Industr'ls	811.77	807.42	809.22	815.27	815.70	821.35	897.61 (5/10)	796.67 (7/11)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	75.66	75.84	75.75	75.92	75.88	75.91	86.10 (15/8)	75.44 (8/11)	—	—
Transport.	243.57	241.97	240.46	241.72	241.35	241.55	271.77 (15/8)	205.78 (27/2)	279.88 (7/2/69)	12.25 (8/7/32)
Utilities	104.94	104.06	103.21	102.89	102.55	102.17	108.61 (25/8)	98.24 (24/10)	165.52 (20/4/69)	10.58 (28/4/42)
Trading Vol 000's†	23,570	37,150	35,290	35,220	38,280	32,480	—	—	—	—

◆Day's high 815.96 low 804.86

Ind. div. yield %	Nov. 16	Nov. 9	Nov. 2	Year ago (approx)
	6.14	6.28	6.11	5.90

STANDARD AND POORS

	Nov. 23	Nov. 21	Nov. 20	Nov. 19	Nov. 16	Nov. 15	1979 High	1979 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	117.32	116.43	116.20	116.91	116.87	116.74	124.49 (15/10)	107.08 (27/2)	154.64 (11/1/73)	3.52 (30/6/32)
§Composite	104.67	103.89	103.69	104.25	103.79	104.18	111.27 (5/10)	98.13 (27/2)	125.85 (11/1/73)	4.40 (1/6/32)

	Nov. 14	Nov. 7	Oct. 31	Year ago (approx)
Ind. div. yield %	5.41	5.58	5.42	5.27
Ind. P/E Ratio	7.59	7.42	7.57	8.64
Lon Gov. Bond Yield	10.37	10.59	10.28	8.66

N.Y.S.E. ALL COMMON

Nov. 23	Nov. 21	Nov. 20	Nov. 19	1979 High	1979 Low
59.66	59.18	59.09	59.35	62.88 (21/9)	53.88 (27/2)

Rises and Falls

	Nov. 23	Nov. 21	Nov. 20
Issues Traded	1,842	1,881	1,881
Rises	932	674	581
Falls	484	780	894
Unchanged	426	427	406
New Highs	—	26	53
New Lows	—	123	73

MONTREAL

	Nov. 23	Nov. 22	Nov. 21	Nov. 20	1979 High	1979 Low
Industrial	307.29	304.90	304.58	306.85	352.12 (5/10)	219.19 (2/1)
Combined	289.19	286.55	286.28	287.85	314.35 (5/10)	226.80 (2/1)
TORONTO Composite	1651.7	1633.8	1624.4	1631.7	1864.71 (5/10)	1318.6 (2/1)

	Nov. 23	Nov. 22	Nov. 21	Nov. 20	1979 High	1979 Low
AUSTRALIA						
Sydney All Ord. (1958/59)	666.45	670.82	671.80	665.67	699.92 (9/11)	545.72 (2/1)
Metals & Minls (1958/59)	3682.25	3767.96	3741.09	3665.50	4031.36 (2/11)	2587.34 (2/1)
AUSTRIA						
Credit Aktien (2/1/62)	65.92	65.60	65.42	65.60	66.35 (5/11)	61.55 (2/5)
BELGIUM						
Belgian SE (31/12/65)	99.68	99.96	100.48	108.71	109.47 (5/10)	98.90 (5/1)
DENMARK						
Copenhagen SE (1/1/73)	89.58	89.52	89.58	89.39	97.46 (25/7)	88.52 (8/1)
FRANCE						
CAC General (29/12/61)	103.10	101.9	101.5	102.6	113.1 (5/10)	82.4 (19/2)
Ind Tendance (29/12/78)	109.80	107.9	107.1	108.7	122.8 (4/10)	92.7 (22/2)
GERMANY						
FAZ-Aktien (31/12/58)	226.80	226.08	(c)	225.43	265.89 (16/1)	223.73 (7/11)
Commerzbank (Dec. 1953)	716.50	710.8	(c)	710.9	859.60 (16/1)	704.50 (7/11)
HOLLAND						
ANP-CBS General (1970)	88.88	84.9	85.4	86.5	94.2 (24/1)	83.4 (7/11)
ANP-CBS Indust. (1970)	67.9	66.9	67.8	68.3	85.9 (24/1)	66.9 (7/11)
HONG KONG						
Hang Seng Bank (31/7/64)	715.28	717.18	708.34	720.09	744.46 (14/11)	493.65 (2/1)
ITALY						
Banca Comm. Ital (1972)	81.25	82.13	82.24	82.14	95.85 (4/10)	68.58 (2/1)
JAPAN						
Dow Average (16/5/49)	(c)	6328.58	6303.60	6363.71	6590.69 (29/9)	5925.87 (18/4)
Tokyo New SE (4/1/68)	(c)	442.10	440.27	443.56	465.24 (29/9)	435.15 (13/7)
NORWAY						
Oslo SE (1/1/72)	136.12	135.19	134.52	133.71	136.12 (23/11)	74.46 (16/1)
SINGAPORE						
Straits Times (1966)	395.87	395.26	396.70	398.13	423.55 (5/10)	346.54 (23/2)
SOUTH AFRICA						
Gold (1958)	436.5	449.4	456.0	425.4	440.4 (22/11)	228.40 (17/4)
Industrial (1958)	418.3	421.5	425.2	424.7	425.5 (15/11)	270.50 (2/1)
SPAIN						
Madrid SE (28/12/78)	81.21	81.28	81.38	81.71	111.88 (6/3)	81.21 (23/11)
SWEDEN						
Jacobson & P. (1/1/58)	339.03	340.17	341.46	342.75	401.34 (6/2)	331.37 (24/9)
SWITZERLAND						
Swiss Bank Cp. (31/12/58)	300.10	302.1	303.9	301.9	329.10 (2/6)	294.80 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Macmillan	[illegible]	51⅞	+ ⅞
Occidental Pet.	[illegible]	31⅞	+2
IBM	[illegible]	24⅞	+1⅛
ATT	[illegible]	59⅞	+ ⅞
Ford Motor	[illegible]	30	+ ½

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Brazil and Spain Prices: Page 24

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Crown Zellerbach Canada is to raise its quarterly dividend from 33 cents to 37½ cents a share. Payout date is December 14 to shareholders registered on December 1.

UK NEWS

● NEWS ANALYSIS—MASSEY-FERGUSON

BY RAY PERMAN

Harmony amid the wreckage

THE QUESTION of how to react when a factory has to be closed is demanding an answer from more and more managements and workforces.

Approaches differ. Some companies prefer to get through the necessary formalities quickly, make as few commitments as possible and withdraw totally on the day redundancy notices expire — invariably leaving bitterness and resentment behind them.

Others feel obliged to display regret and remorse, which their employees usually greet with cynicism.

Trade union reactions have changed. A few years ago it was axiomatic that a shop stewards' committee faced with closure would call an immediate sit-in and try to form a workers' co-operative. Now, anger is likely to be less than resignation. Top priority is the size of the pay-offs.

Against those stereotypes, the co-operation between workers and management at Massey-Ferguson's Kilmarnock combine harvester plant, which is to close in February with the loss of 1,500 jobs, stands out as distinctive.

Massey-Ferguson, a Canadian-based company, is adamant that combine manufacture will end by the date announced, but far from abandoning the plant it has set up a new company headed by its senior UK management to try to salvage something from the debris.

The workforce and shop stewards, while clinging just as stubbornly to their view that combine production can still pay and that the company is mistaken in its analysis, have agreed these important points:

● If Massey is determined to leave, industrial action will not be taken to hinder the company because it would only damage the chances of finding new work for the plant;

● Preserving the jobs at Kilmarnock is more important than negotiating the size of redundancy payments;

● Until new work or a new owner can be found, the plant needs Massey's management expertise.

Joint committees have been set up of management and unions, with advisers from Inbucon, an industrial consultancy firm that was reviewing the wage structure in the plant but is being retained at the company's expense to seek a new owner for the whole plant, or failing that, sub-contract work to keep individual parts of it, such as the press shop or paint shop, going.

"If this had happened to us a few years ago, we would have gone the same way with the workers' co-operative movement," Sam Kay, works convener, comments.

"But the experience of the co-operatives has been an educational process to us. They have not produced the success that we want and, as shop stewards, our terms of reference are to save 1,500 jobs."

That attitude is vitally important, according to Mr. Harry Hebden, managing director of Massey-Ferguson UK and chairman of the new company being set up to try to give the plant new life. "The most significant asset we have in trying to get new work is the commitment of the workforce and the work-force's representatives. That kind of determination deserves support and it will get it from the company."

Abilities

Massey and Inbucon are approaching hundreds of potential buyers in the U.S., Europe and Japan and will shortly launch a big advertising campaign to try to sell the skills of the Kilmarnock workforce to a new employer. However, Mr. Hebden concedes that the chance of finding someone to take on the plant as a going concern is remote.

Therefore a local job search has been launched. Joint teams have been identifying what the plant can do and what the market for those abilities might be.

As a modern engineering factory, it has machine tools and specialised shops that most existing sub-contract firms lack. Important companies exist in central Scotland, in motor vehicles, heavy engineering and related activities, that need such work done but may have to send to Birmingham or Coventry to get it.

The quest has barely begun, but initial results are encouraging. Some 70 firms in Strathclyde have been identified as having a possible need for, for example, press shop work; 16 have been approached and seven have expressed interest.

If work is found, someone will have to set up and manage a new company or series of companies to carry it out. Massey-Ferguson is willing to be a partner in any new ventures, contributing the machine tools and other fixed assets as its share of the equity.

Other partners might be the Government, through the Scottish Development Agency or some other means, putting in the working capital, and perhaps a big customer to give continuity.

Massey is also willing to continue putting sub-contract work from its other UK factories into Kilmarnock to provide a base load. Manufacture of parts for tractors and mowers is worth about £1.5m a year and employs 130 people, but the company is looking for means of increasing that amount.

The company has also contributed in a less tangible but equally vital way. Running at less than a third capacity, the Kilmarnock plant cannot have been anything but disastrously unprofitable over some years. But Massey has resisted the temptation to publicise the losses, as some other managements in similar situations might have done to justify the decision to pull out.

Instead, it has emphasised the success of the workforce in meeting its production targets over recent years and of co-operating in cutting costs. The result has been to maintain the morale of the employees and present a better image to the wider world.

The shop stewards have had overwhelming backing from the workforce for their strategy and are confident that they can hold it together—including the 200 skilled men who would be vital to any new enterprise, but who could easily find work elsewhere—until a new employer comes forward. A transitional period might come, but they are working on proposals to bridge it.

Behind them they have a considerable record of stability. A third of the labour force has worked at the plant almost since it opened in 1949; four-fifths have 10 years' service or more.

Sam Kay comments: "We are not putting out the begging bowl, we are trying something different. We know we can produce things, but we don't know how to sell them.

"We have said to Massey-Ferguson: 'Don't walk out and leave us, because you can provide the thing we don't have—management expertise.' We are ready to go into new companies and new ventures, but we don't know how to do it on our own."

Tootal strengthens links with leading Italian textile group

BY RHYS DAVID, TEXTILES CORRESPONDENT

TOOTAL, the UK textiles group, is to strengthen its links with Bassetti, the Italian group which claims to be Europe's biggest producer of household textiles, under a new industrial co-operation agreement.

The deal, which involves Tootal's Osman bed-linen and towels subsidiary in Bolton, falls short of a direct financial arrangement, but will involve the transfer of Bassetti expertise to Osman as well as opening up new opportunities for the Italian group to market products in the UK with Tootal's help. Joint ventures between the two companies in the UK are also likely as co-operation develops.

Bassetti, a privately-owned company based in Milan, has been expanding rapidly in recent years and currently has a turnover of about £8m in Britain. The company has marketing subsidiaries in all the main European countries and has recently begun a search for textile partners around the world.

It is already linked with Tootal's Actil subsidiary, the biggest supplier of household textiles in Australia, which it provides with designs, and has recently entered into a deal with a leading Japanese textile group. Bassetti is involved in negotiations with Spring Mills in the U.S. and is also looking to the Far East as a base for production of woven fabrics for its household textiles.

The company's very strong position in this sector is based on its sophisticated printing dyeing and finishing facilities in Milan. It is this expertise which it will now be introducing to the UK. Tootal, one of the leading dress fabric printers, is relatively new to the wide width printing involved in sheets.

Bassetti already supplies Tootal with some fabrics for use in its sheeting and towelling operations and expects to win opportunities the UK market for a variety of other products including shirts, sportswear, and furnishing fabrics.

Tootal is hoping the deal will enable Osman to increase its share of the market in household textiles in the UK and in Europe. The market has been transformed in recent years by the introduction of fashion into bed linen, and most of the big textile groups have been seeking to build up their position.

Courtaulds has developed a major new plant in Londonderry to produce household textiles and it has been one of the main areas of investment for Carrington Viyella, which controls one of the best-known brand names, Dorma. The European market is also being attacked by a number of American groups from plants in the Irish Republic.

Tootal is also hoping to step up exports of its products to Italy, with curtain nets a likely first candidate.

Commons hitch for watchdog committees

THE GOVERNMENT will probably have to make time for a special debate on procedures if the new system of departmental watchdog select committees is to start before Christmas.

Mr. John Farr, Conservative MP for Harborough, who blocked the motion setting up the 14 committees on Friday, could continue obstructing it indefinitely.

The Government will have to give MPs the opportunity to show their support for the committees again in a full debate. The Government's business managers may try to squeeze in a short debate next week.

Mr. Farr, who was blocking the motion for the second week running, is one of a number of MPs objecting to the way the members of the committees have been nominated.

This objection is the latest hitch in a long wrangle over the method of appointing members to the new style committees, which were approved in principle by the Commons in June.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Nov. 27—29	Industrial Corrosion Prevention Exhibition (01-855 7777)	Harrogate
Dec. 2—8	International Building and Construction Exhibition (01-486 1951)	NEC, Birmingham
Dec. 3—7	Royal Smithfield Show (01-235 7000)	Earls Court
Dec. 4—8	Breadboard Exhibition (Home Electronics) (0822 4671)	Royal Horticultural Hall
Dec. 11—13	Automatic Testing Exhibition (02802 5226)	Metropole Exb. Hall, Brighton
Dec. 28—Jan. 6	Camping, Outdoor Holiday Exhibition and Motor Caravan Show (01-262 2886)	Olympia
Jan. 2—12	Model Engineer Exhibition (0442 41221)	Wembley Conference Centre
Jan. 2—13	London International Boat Show (0932 54511)	Earls Court
Jan. 12—17	International Toy Fair (01-226 6653)	Harrogate
Jan. 15—17	International Domestic Electrical Appliances Exhibition (01-486 1951)	NEC, Birmingham
Jan. 23—30	HOTELYMPIA—International Hotel and Catering Exhibition (021-705 6707)	Olympia
Jan. 26—30	British Toy and Hobby Fair (01-701 7127)	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	IGEHO '79 Industrial and Institutional Catering Exhibition (until Nov. 27)	Basle
Current	International Market for the European Diffusion of Sub-Contracting (until Nov. 30)	Brussels
Current	Swissfit '79 Exhibition for Swimming Pools and Sporting Equipment (until Dec. 2)	Zurich
Nov. 27—Dec. 6	British Scientific Exhibition	Moscow
Nov. 28—Dec. 1	Electric Control Equipment Industry Exhibition (01-734 9638)	Osaka
Nov. 29—Dec. 3	Swiss Furniture Fair	Basle
Nov. 30—Dec. 9	International Exhibition of Inventions	Geneva
Dec. 3—8	International Exhibition of hydraulic, pneumatic and mechanical transmissions (01-439 3964)	Paris
Dec. 5—8	First Asian International Electronic Communications Show and Conference (01-437 0678)	Singapore
Dec. 10—15	International Physics Exhibition (01-439 3964)	Paris
Dec. 10—15	International Electrical Equipment Exhibition (01-439 3964)	Paris
Jan. 13—17	Middle East Food and Equipment Show (01-486 1951)	Bahrain
Jan. 18—24	International Record and Music Publishing Market (01-499 2317)	Cannes
Jan. 19—27	International Boat Show (01-409 0956)	Dusseldorf
Jan. 19—27	International Commercial Motor Show	Geneva

BUSINESS AND MANAGEMENT CONFERENCES

Nov. 26	Oyez: Conveyancing Contracts—a trap for the unwary (01-242 2481)	Cavendish Conf. Centre, W1
Nov. 26	BIM: Management Remuneration and Benefits (01-405 3456)	Kensington Close Hotel, W8
Nov. 27	Inbucon: Scottish Salary Administration Seminar (041-221 0792)	Albany Hotel, Glasgow
Nov. 27	Employing Foreign Executives in Belgium (01-242 2481)	Brussels
Nov. 27	CCC: Property and Portfolio Investment in U.S. (01-222 6362)	Inn-on-the-Park, W1
Nov. 27	IPS: The Buyer Meets the Seller (petrochemical industry) (0990 2371)	Connaught Rooms, WC2
Nov. 27—28	London University: Introduction to the Hardware and Software of Microprocessors (01-636 4514)	Senate House, WC1
Nov. 28	MML: Seminar for solicitors and accountants—a layman's guide to the microcomputer (01-247 0691)	Hilton Hotel, W1
Nov. 28	BCPA: Trade Union Finance—Whose Responsibility? (01-405 1023)	Holiday Inn, SW1
Nov. 29	IPA: Financial Participation (01-222 0351)	Bowater Conf. Centre, SW1
Nov. 30	CCC: Developments in Unfair Dismissal During 1979 (01-222 6362)	Hilton Hotel, W1
Dec. 1	TRG: The Future of London's Docklands (01-852 5351)	Trafalgar Tavern, SE10
Dec. 2—7	University of Bradford Management Centre: Forecasting for Planning in Business (Bradford 42299)	Heaton Mount, Bradford
Dec. 3—4	Learned Information (Europe): Electronic Publishing—A practical seminar to help you exploit the new media (Oxford 730275)	Cunard International, W8
Dec. 3—5	Eurotech: Develop your management personality (0252 313066)	St. Ermin's Hotel, SW1
Dec. 3—6	IPM: Job Evaluation (01-387 2844)	Whites Hotel, W2
Dec. 5	Institute of Directors: Trade Union Power: a case for reform? (01-839 1233)	Pall Mall, SW1
Dec. 5—6	Online: IBM Hardware Selection International Conference (Uxbridge 39262)	Skyline Hotel, Heathrow
Dec. 7	European Association for Industrial Marketing Research: The Business Outlook 1980-1985 (01-637 1221)	Westbury Hotel, W1
Dec. 10	ESC: Effective Debt Collection (Uppingham 2711)	Waldorf Hotel, WC2
Dec. 10—11	FT Conference: International Investment Conference (01-236 4382)	Grosvenor House, W1

The week's business in Parliament

TODAY

COMMONS—Debate on Opposition motion on mortgages until 7 p.m. Debate on Opposition motion on the NEB.

SELECT COMMITTEE—Public Accounts. Subject: Standardisation of computers. Procurement and storage of supplies. Standardisation of Hospital design, operation procedures and components. Witnesses: Department of Health and Social Security, Scottish Home and Health Department and Welsh Office. (Room 16, 4.30 p.m.)

TOMORROW

COMMONS — Transport Bill, second reading.

LORDS—Residential Homes Bill (consolidation measure), committee stage. Charging Orders Bill, consideration of Commons amendments. European Communities (Greek Accession) Bill, second reading. Motions to approve Employment Protection (Variation of Limits) Order 1979, Unfair Dismissal (Increases of Compensation Limit) Order 1979 and Building Societies (Special Advances) Order 1979.

WEDNESDAY

COMMONS—Debate on the economy. Proceedings on the Justices of the Peace Bill and the Sale of Goods Bill, both consolidation measures. Remaining stages of the Papua New Guinea, Western Samoa and Nauru (Miscellaneous Provisions) Bill.

LORDS—Debate on the recommendations of the Royal Commission on Civil Liability and Compensation for Personal Injury about products liability. Criminal Justice (Amendment) Bill, committee stage.

SELECT COMMITTEE—Public Accounts. Subject: Standardisation of computers. Procurement and storage of supplies. Standardisation of hospital design, operational procedures and components. Witnesses: Department of Health and Social Security, Scottish Home and Health Department, and Welsh Office. (Room 16, 4 p.m.)

THURSDAY

COMMONS—Debate on White Paper on the Government of Northern Ireland.

LORDS—Third reading of Child Care Bill, Foster Children Bill, Residential Homes Bill (all consolidation measures). Isle of Man Bill, second reading. Furskins Bill, second reading. Betting, Gaming and Lotteries (Amendment) Bill, second reading. Debate on the Tornado programme.

FRIDAY

COMMONS—Private Members' Bills.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Lawrie Plants, Winchester House, 100, Old Broad St., EC, 11.0
Tyzack (W. A.) Hallam Tower Hotel, Sheffield, 12.00

BOARD MEETINGS—
Finals:
Concentric
Fenner
Sanger (J. E.)
Yarrow
Interims:
Burnett and Hallamshire
Chamberlain Phipps
Colmore Invs.
Dawson Intnl.
Derriton

DIVIDEND & INTEREST PAYMENTS—
Ayer Hitam Tin Dredging Malaysia Berhad, 18.82114p
BTR, 5.5p
Cartwright (R.), 1.725p
Combined English Stores, 1.49p
Hambro Life Assnc., 1.5p
Imperial Commercial Bank China Floating Rate Notes Due 1983, $US587.71
Kent (M. P.), 2p
Lawrie Plants, 17½p
Low and Bonar, 5p
McCleary L'Amie, 0.2p
Norsk Hydro, Kr 9.6
Richards (Leics.), 1.5p
Southend on Sea 12pc Red., 6 pc

TOMORROW

COMPANY MEETINGS—
A. B. Electronic Prods., Park Hotel, Cardiff, 11.30
Cons. Gold Fields, Dorchester Hotel Park Lane, W., 11.30
Lister, Manningham Mills, Bradford, 12.30
Raine Eng., Omega Restaurant, Sheffield, 12.00
Rivoli Cinemas, 15-17, Ridgmount St., WC, 4.00

BOARD MEETINGS—
Finals:
Carr (John) (Doncaster)
Peak Invs.
Vereeniging Refractories
Interims:
Allied Breweries
Grampian TV
Parkland Textile
Tecalemit
Transparent Paper
WGI
Watson (R. Kelvin)

DIVIDEND & INTEREST PAYMENTS—
Greens Economiser, 2.6152p
Ruberoid, 0.95p
Singapore Para Rubber, 1.4p
Tyzack (W. A.), 1.284p

WEDNESDAY, NOVEMBER 28

COMPANY MEETINGS—
Asaro Nicholas, 225, Bath Rd., Slough, 12.00
Cantors, 164-170, Queens Road, Sheffield, 12.00
Photo Me Intnl., The Fairmile Hotel, Portsmouth Road, Cobham, Surrey, 6.00
Wombwell Foundry, Royal Victoria Hotel, Sheffield, 12.00

BOARD MEETINGS—
Finals:
Avon Rubber
Brown (Matthew)
Castlefield (Klang) Rubber Est.
Comet Radiovision
Killinghall (Rubber) Dev. Synd.
Messina (Transvaal) Dev.
"W" Ribbons
Interims:
BPB Inds.
Brasway
Brickhouse Dudley
Buckley's Brewery
Elliot (B.)
Geers Gross
Johnson Matthey
M and G Second Dual Tst.
Monks Inv. Tst.
Shaw and Marvin
Westbrick Prods.

DIVIDEND & INTEREST PAYMENTS—
A. B. Electronic Prods., 4.5p
Broken Hill Prop. Ord. and New, 17 cts.
Bunzl Pulp and Paper, 3.83p
Burndene Invsts. Ln., 4¼ pc
Christies Intnl., 1.75p
Dunbee-Combex-Marx, 4.01923p
Estates and Gen. Invsts. Ord. Units, 0.55p
Hanger Invsts., 1.25p
Jove Invst. Tst. Income, 1.75p
Leeds Floating Rate 1982, £6.2969
Phicom, 4.45p
Raine Eng., 0.5852p
Rockware, 2.33p
Scottish Tel. N.V. A, 1.216p
Shires Invs., 3p
Walker (C. and W.), 1.35p
Wombwell Foundry and Eng., 1.126p

THURSDAY, NOVEMBER 29

COMPANY MEETINGS—
Banks (Sidney C.), Garden House Hotel, Cambridge, 12.00
Courtney Pope, Amhurst Park Works, Seven Sisters Road, South Tottenham, N., 11.00
Ductile Steels, Planetary Road, Willenhall, 12.00
Hunt and Moscrop, Middleton Masonic Club, Manchester Old Road, Manchester, 12.00
Stewart and Wight, Caxton Hall, Westminster, W., 12.00
Utd. Real Prop. Tst., Europa Hotel, Grosvenor Square, W., 12.00

BOARD MEETINGS—
Finals:
Dundee and London Inv. Tst.
Muirhead
Royal Bk. Scotland
Utd. Wire
Interims:
Crosby Spring Interiors
Cullen's Stores
Hargreaves
Property and Reversionary Inv.
600 Grp.
Tunnel Hldgs.
Whitbread Inv.

DIVIDEND & INTEREST PAYMENTS—
Bank of Montreal, 36 cts.
City of Aberdeen Land Assn., 5.75p
Courtney, Pope, 1.85p
Dewhirst (I. J.), 0.5p
F. C. Finance, 1.1p
Fairview Ests., 5.157p
Gresham House Ests., 1.4p
Lilley (F. J. C.) 1.54p
Photo-Me Intnl., 7.239p
Sparrows (G. W.) and Sons, 1.206p
Wadham Stringer, 1.21p

FRIDAY, NOVEMBER 30

COMPANY MEETINGS—
Dalgety, The Institute of Directors, 116, Pall Mall, S.W., 11.30
Dawnay Day, Garrard House, 31, Gresham St., E.C., 11.30
Goodman Bros. and Stockman, Winchester House, 77, London Wall, EC, 11.30
Great Universal Stores, Chartered Insurance Institute, 20, Aldermanbury, EC, 12.00
Newman Tonks, Midland Hotel B'ham., 12.00

BOARD MEETINGS—
Final:
Tomkinsons Carpets
Interims:
Alpine Soft Drinks
Brady Inds.
Dixon (David)
Routledge and Keegan Paul
Sangers
Scapa Grp.

DIVIDEND & INTEREST PAYMENTS—
Aberdeen Construction Gp. 2.1p
Ace Belmont Int. 5pc
Adams and Gibbon 7½pcPf. 2.625pc
Advance Laundries 5½pcPf. 1.925pc
Agricultural Mortgage 11¼pcRed. 30.11.79 5⅝pc
Allen (Edgar) Balfour Deb. 3½pc
Allied Breweries 5½pcPf. 1.925pc. 7½pc Pf. 2.625pc
Altifund Income 4p. Capital 0.8p
Anchor Chemical 6pcPf. 2.1pc
Armitage Bros. Deb. 3¼pc
Armour Trust 0.1p
Ashdown Inv. Tst. Ln. 2½pc
Aurora 1.55p
B and Q (Retail) 0.65p
Baker Perkins Debs. 2¾ 3¼pc
Bank America 33 cts
Banker's Inv. Tst. 0.55p. 3.5pcPf. 1.75pc
Banks (Sidney C.) 3p
Beecham Grp. Lns. 3 3¼pc
Bell (Arthur) Deb. 3¼pc
Beral Inns Deb. 3¼pc
Bilton (Percy) 2.5p. Accum. 0.1p
Black and Edgington 5pcPf. 1.75pc
Boddington Breweries Deb. 3pc
Bodycote Intnl. 2p
Bright (John) 5½pcPf. 1.925pc
Britannia Arrow 6¾pcPf. 2.3625pc
Brown Engineering 0.52p
Bryant 8pcPf. 2.8pc
Burroughs Machines Deb 4pc. Lns. 1¾ 2½pc
Callender (George M.) 0.605p
Canning (W.) Ln. 3¼pc
Capital and Counties Property Ln. 3¼pc
Carlton Industries 10pcPf. 3.5pc
Carron 1.7p
Carter Hawley Hale Stores 27½ cts
Central and District Props. Ln. 3¼pc
Change Wares 12pcPf. 3pc
Chrysler United Kingdom Debs. 2 2½pc
Chubb and Son 6½pcPf. 2.275pc
City of London Brewery and Inv. Tst. Dfd. 0.88p
Continental and Industrial Tst. Deb. 2½pc
Cropper (James) Ln. 4½pc
Dawson Intnl. 4.2pcPf. 2.1pc. Debs. 3½ 3¼ 3½pc
Dentsply Ln. 4½pc
Dorrington Inv. 1.9p
Dualvest Income 3.5629p (incl. 0.7249p special distbn.)
Dunlop Plantations 6pcPf. 2.1pc
Early (Charles) and Marriott (Witney) 0.315p
English Assoc. of American Bond and Share Holders 14p
English China Clays Lns. 3½ 3¼pc
English Electric Deb. 3pc
Estate Duties Inv. Tst. 0.8p
European Ferries 4½pcPf. 1.575pc
Farnell Electronics 1.3p
Finlay (John) 1p
Forward Technology 2.7p
Fundinvest Income 1.953p
Gabinete da Area de Sines Floating Rate Serial Notes 1982 493.08 cts
Garton Engineering 3.3p
General Electric Floating Rate Uns. Cap. Notes 1986 £6.4552
Gestetner Ln. 5pc
Glanfield Lawrence 4pc
Goodman Brothers and Stockman 0.96p
Grange Tst. 5pcPf. 1.75pc. Deb. 2¼pc
Grattan Warehouses Units 1.866p
Greene King and Sons Ln. 3¼pc
Higgs and Hill 1.9p
Horne Bros. 7pcPf. 2.45pc. Ln. 3¾pc
Howden 6½pcPf. 2.275pc
Hughes Tool 21 cts
Hunt and Moscrop (Middleton) 0.54272p
Hunting Assoc. 1.5p
ICL Deb. 3¼pc
Imperial Chemical Inds. Ln. 3¼pc
Industrial and Commercial Finance Deb. 3¼pc
Jersey General Inv. Tst. 3½pc
Johnson Matthey Deb. 2¾pc
Kaiser Aluminum and Chemical 30 cts
Kursaal Pf. 3½pc
Laing Properties Ord. and A 1.25p
Lake View Inv. Tst. 1.75p. 5pcPf. 1.75pc
Law Debenture Corp. Debs. 2 (78-88) 2 (83-88) 2¼ 2½pc
Lead Industries 3.7p
Leadenhall Sterling Ln. 2½pc
Lee Cooper 1.4p
Lewis (John) Properties Debs. 2¾ 3½pc
Leyland Paint and Wallpaper 1p
Linfood Ln. 6pc
Lloyds Eurofinance NV Gtd. Floating Rate Notes due 1983 56.55 cts
London and European Ln. 5¼pc
London and Montrose Inv. Tst. Deb. 2½pc
McCorquodale Lns. 3½ 4¼pc
Makin (J. and J.) Paper Mills 6½pcPf. 2.275pc
Manufacturers Hanover Overseas Capital Corp. Gtd. Floating Rate Notes due 1994 $US31.76
Maple 0.25p
Marchwiel 2.4p
Mid Sussex Water 4.025pc (fmly. 5¾pc) Pf. 1980-85 2.0125pc
Milletts Leisure Shops 2.95p
NCR Lns. 2 8¼pc
Norcros Ln. 3¼pc
Northern Engineering 1.25p
Northern Foods Debs. 3½ 3¼pc
Norton Stone Inc. 26 cts
OK Bazaars (1929) Pf. 3¼pc
Oce-Van der Grinten Finance Ln. 4½pc
Ogilvy and Mather Intnl. 29 cts
Outwich Inv. Tst. 0.72p
Paterson Zochonis 7½pcPf. 3.75pc. 10pc Pf. 5pc
Pawson (W. L.) 1.2p
Pochin's 0.12p
Press (Wm.) 4½pcPf. 2.45pc. Ln. 3¼pc
Radio Rentals 5pcPf. 2½pc
Raeburn Inv. Tst. 5pcPf. 1.75pc. Ln. 2¼pc
Rand London 0.5p
Reardon Smith Line 0.1p
Redman Heenan Intnl. 4½pcPf. 1.6625pc
Rex Trueform Clothing Ord. and A 30 cts
Sainsbury (J.) Deb. 3¼pc
Sale Tilney 3.1p
Scottish Cities Inv. Tst. Ln. 3¼pc
Second City Properties Ln. 3¼pc
Selincourt 0.7p
Senior Engineering 0.75p
Sime Darby 10 cts
Smith St. Aubyn 3.5p
South Tyneside 12¾pcRed. 1986 6⅜pc
Southampton Isle of Wight and South of England 5pcPf. 1.75pc
Stag Furniture 3.5p
Standard Chartered Bank Floating Rate Cap. Notes 1984 $US56.88
Stoddard 5pcPf. 1.75pc
Strong and Fisher Deb. 4½pc
Trans-Oceanic Trust Debs. 2½ 3pc
Travis and Arnold 7pcPf. 2.45pc
Tricentrol 2.8p
Triplex Foundries Deb. 3¼pc
United Real Property Tst. 4.75p
Vantona Grp. Deb. 3pc. Ln. 3¼pc
Wade Potteries 1.39p
Wagon Industrial 3½pcPf. 1.225pc
Westminster and Country Props. 1p
Wiggins Teape Debs. 2½ 3¼pc
Wood and Sons 7pcPf. 2.45pc

SATURDAY, DECEMBER 1

DIVIDEND & INTEREST PAYMENTS—
AMAX 60 cts
Acrow Ord. and A 1.5p
Agricultural Mortgage 4⅞pcDb. 2¼pc
Alba Inv. Tst. Deb. 1¾pc
Alliance Inv. Tst. Deb. 1¾pc
Anglo Scottish Inv. Tst. Deb. 2 pc
Asarco
Barnet 12¼pc Red. 1987 6⅛pc
Birmingham 12½pc Red. 1985 6¼pc
CLRP Inv. Tst. 5pcPf. 1.75pc
Caledonian Hldgs. Ln. 2 pc
Canning (W.) 1.72p
Cantors Ord. and A 1.475p
Cater Ryder 5pcPf. 1.75pc
Charter Tst. and Agency 5pcPf. 1.75pc. Debs. 2¼ 3pc
Electricity Supply Board 13pc 1986 6½pc
[illegible]
Ford Motor 100 cts
[illegible]

Solvay: Belgium's secretive chemicals giant goes multinational

BY GILES MERRITT, in Brussels

SOLVAY, Belgium's 116-year-old chemical giant, is getting into "life science." Executives at Solvay, which is the country's second largest company and a pillar of the solid industrial community that made Belgium rich, use the American-style jargon for bio-chemical products with just a hint of self-consciousness. For Solvay is nowadays in uneasy transition from national to multinational corporation.

It is diversifying away from its traditional role as a bulk chemical producer, and its search for new products and markets has led to an international acquisition drive in Europe and the U.S. The "life science" theme of recent corporate purchases adds biochemistry projects and veterinary vaccines to a line of steady diversifications into the pharmaceutical business.

In an accelerating trend that began just over 10 years ago, Solvay has grafted manufacturing operations that range from paints to plastic bottles and building materials to drugs onto the body of its soda ash, salt, chloride, PVC, hydrogen peroxide and polyethylene activities. Diversifications and a policy of cutting out the middleman by transforming its chemicals into end-products has raised the newer businesses' share of total turnover from negligible levels to around 30 per cent.

If any one date for the move away from Solvay's purely bulk chemical heritage can be identified it must be July 1, 1967. At that point, Belgium's largest and most venerable private company decided to go public. It also underwent the shock therapy of a management reorganisation that introduced such novel concepts as corporate planning and product development. The success of the treatment can to some extent be judged by Solvay's sales charts—turnover in 1967 was BFr 29.2bn, at the end of last year it reached BFr 95.1bn and for the first half of 1979 had shot ahead to BFr 59.8bn.

World leader

Solvay is increasingly aware of the vulnerability of its bulk chemicals side to economic downturns. During 1977/78 its chemicals operations were for two years in the doldrums, with the result that in 1977 overall group profits plummeted from the previous year's level of BFr 4.8bn to just BFr 1.9bn. Although the company believes that growing competition from Eastern Europe, as well as from U.S. producers that enjoy cheaper energy costs and economies of scale, is exerting steady pressure, the view is that it is still a long-term problem. At present, Solvay remains the world leader in PVC and soda ash production, and is No. 2 in salt and chloride.

Bulk chemicals is a business that grew yearly by 10-12 per cent during the 1960s. In Europe those leaps and bounds are more likely during the 1980s to be fits and starts with growth averaging only 3 per cent or so annually.

The drive by Solvay to extend its vertical chain of chemical operations down to finished products was partly a response to the moves by its European competitors in the early 1970s toward integrating their activities.

But its sideways involvement in pharmaceuticals is an independent solution to the problem. In recent years it has acquired drug concerns such as Latema, in the Paris region, Laboratories Sarbach in south eastern France, Giulini in West Germany and the Lyssia cosmetic producer there, and Purepak of the U.S.

In the bio-chemical field it has gained an interest in the Biochem biopesticides concern and in Dansk-Protein, which is working on protein derivatives from milk.

Research and development centres have been set up in France and West Germany and other activities acquired in Mexico and Spain. Just a fortnight ago Solvay announced that it had taken control of the U.S. Salsbury Company that produces special vaccines for poultry.

That these pharmaceuticals operations now contribute 5 per cent of overall turnover — approaching the figure for the major hydrogen peroxides business it operates jointly with Laporte Industries of the UK — is something Solvay proudly draws attention to. But how good an immediate investment they are individually or collectively is not known, for Solvay is a strangely secretive giant.

Family

There are, indeed, echoes in Solvay of the reticence over releasing facts and figures that has made France's Michelin a by-word for secrecy. Solvay is a business that believes in minding its own business, and with three-quarters of its shares still in the hands of the 2,000 people who make up the extensive Solvay family is in a strong position to ignore intrusive questioning. Mr. Jacques Solvay, the 59-year-old great-great-grandson of founder, Ernest Solvay, runs the group with the aid of four top men on his executive committee, and jealously guards information inside that inner council. Senior executives no more know the purchase prices of the diversification programme than they do, say, the reasons for the election this summer to Solvay's main Board of the UK's National Coal Board chief Sir Derek Ezra.

These instincts of a group that is in many ways still a private company jar oddly with Solvay's development into a multinational corporation with 46,000 employees worldwide. For half of its activities are split evenly between France and West Germany and it operates too in Japan, Brazil and Australia as well as in the U.S. and almost all Western European countries. Only 10-12 per cent of its output is from Belgium itself, although that politically sensitive fact in a country increasingly hit by high unemployment tends to be glossed over by group accounts that consolidate everything back into Belgian francs.

Mr. Jacques Solvay: jealously guards information.

FINANCIAL TIMES SURVEY

Monday November 26 1979

CONTENTS

BELGIUM

Public spending is out of control, unemployment grows increasingly worrying and the Government, walking a tightrope between the country's two cultures, has little room for manoeuvre. To the visitor, Belgium still appears affluent, but it is beginning to live off its capital.

BASIC STATISTICS

Area	11,782 sq miles 30,515 sq km.
Population	9.84m
GNP	BFr 3,075bn
Per capita	BFr 312.500
Trade (1978)	
Imports	BFr 1,519.1bn
Exports	BFr 1,406.6bn
Imports from UK	£2.202bn
Exports to UK	£1,831bn
Currency: Franc	£=BFr 61.35

Shoring up a divided nation

By Giles Merritt

BELGIUM IS a land of durable instability — ever teetering, never falling. Almost half of the past year has been a time of political crisis and in the main, Belgians have gone phlegmatically about their business without allowing the politicians' bickering to disturb the tenor of their lives.

But surface calm can belie the true story. While still rich by Western European and even North American standards, Belgium faces mounting economic problems. On the political and social fronts, too, the country has of late begun to contend with increasingly serious developments.

At first sight, of course, Belgium has changed little in the past 12 months. In a year that has seen the Iranian revolution, Britain's first woman Prime Minister and a U.S. President forced on to the defensive during his first term, Belgium has apparently been replaying the same domestic political moves as at the end of 1978. Then, the country's intractable language war between the Dutch-speaking Flemings of northern Belgium and the francophone Walloons to the south, brought down the 18-month-old coalition government of Mr. Leo Tindemans. Now the same fundamental Belgian problem threatens his successor, Mr. Wilfried Martens.

Next month the Martens coalition government is due to face a tricky parliamentary vote on its devolution plan for defusing the language war. Because cash is at stake—money that the richer Flemish community would be required to contribute to fund poor but separatist Wallonia—the vote could go either way. It it goes against Mr. Martens, the country may once again find itself in the throes of a political crisis with all the problems that that would entail for the efficient administration of Belgium.

To outsiders, it often seems incredible that a serious and essentially mercantile people like the Belgians should allow the linguistic problem to eclipse the sound economic and social management of the country. But Belgians are more volatile than is often imagined, and on occasion demonstrate more joie de vivre than their neighbours to the south. More important, the term language war is little more than a slick and misleading shorthand for a conflict between two communities and their cultures that has dogged the Low Countries for centuries.

Instead of blunting itself over the years, however, the conflict remains as intractable as ever. It is currently feared to be undergoing one of its periodic sharpenings. This autumn has seen clashes along the linguistic frontier in the Fourons area of eastern Belgium that were of a violence not seen for years. Mr. Martens has himself described the rioting that followed the appearance of paramilitary organisations—notably the VMO Flemish militants' private army —as a "new and disturbing element in our political life." He added that for the first time in many years there was now "the danger of grave incidents."

Symptoms

Any such incidents, and it should be emphasised that so far the language war is one that has claimed no lives, are the symptoms and not the cause of political crisis. And at present the danger of crisis revolves around the Martens Government's proposals for a two-year "Phase Two" of the drive towards regionalisation that would confer "limited legislative powers" on three regional authorities: Flanders, Wallonia and Brussels.

The last is the bugbear, for mainly francophone Brussels occupies an enclave in Dutch-speaking Flanders. The precise status of Brussels as a centre for self-government is the question that always brings out Belgium's longest political knives.

Mr. Martens points out that 90 per cent of the regionalisation package is generally agreed between the country's five main political blocs, and that after the two-year bedding-down period of Phase Two the way will be open for the definitive third phase of devolution to be established. Leaving aside what is always referred to as the "Brussels question," he nevertheless has other pitfalls to sidestep.

Along with his predecessor in the Prime Minister's office, Mr. Tindemans, he is part of an intriguing double-act that contributes little to political stability. For when Mr. Tindemans was Premier, Mr. Martens was chairman of the dominant Flemish Social Christian Party (CVP) and represented the unbending conscience of Flemings whose diehard instincts torpedo any government attempts to construct a Flemish-Walloon compromise. Now Mr. Tindemans and Mr. Martens have swapped jobs, and it is Mr. Tindemans who represents that classic threat to Mr. Martens' continued tenure of office.

Behind all this linguistic wrangling and internal jockeying, though, Belgium's politicians are chiefly concerned with the dangers posed by a much more international phenomenon. Public spending in Belgium is out of control, and has become a canker that is beginning to debilitate the economy as a whole.

An increasingly worrying unemployment problem, stemming not just from recent years of international recession but from the decline of Wallonia's traditional heavy industries, has led to sharp rises in social security costs. It now appears that the Belgian Government will slice 20 per cent off its capital budget for 1979 to shore up the current budget. The job-creating investment programme, designed to create, in its turn, greater wealth, is thus being pared down so that funds can be freed to pay unemployment and other benefits.

Belgians are generally well aware of the vicious circle such a move helps create, but the Government's room for manoeuvre is small. Politically it is courting disaster if it trims social security costs by more than a little. Indeed, Mr. Martens' coalition almost suffered the terminal blow of a defection by the francophone Parti Socialiste not long ago over the issue of very slightly pruned medical charges. Belgium still remembers the lengthy general strike in Wallonia of 1960 that was caused by a clumsy Brussels Government attempt to alter social security conditions. Today, Wallonia is much more run-down that it was then—the last of the coal mines has closed, steel is shedding jobs fast and unemployment in the once wealthy industrial heartland is at 12 per cent.

The conditions for a significant cut in social spending are hardly propitious, yet the Martens Government is committed to major reductions in the coming two years. Belgium's public debt per head of population is now at twice the level of the EEC countries on her northern borders and the budget deficit stands at almost 7 per cent of GNP. For 1980 Mr. Martens aims to cut it back to around 6.5 per cent and is aiming for 5 per cent for the following year. Inside the Government and out there is agreement that that will be easier said than done.

The State's finances lie behind the shakiness of the Belgian franc and the deteriorating balance of payments position. And this year the Belgian Government was forced to break a ten-year-old rule against borrowing abroad to help finance the budget deficit. More international loans are next year likely to follow the $1bn Syndicated Eurodollar borrowing due shortly, and 1980 is also expected to see GNP growth of around 2 per cent, as against this year's 3.5 per cent, with a resumption of inflation at 5-6 per cent.

Striking

Belgium's wealth is still striking to the visitor. Brussels's position as the administrative capital of the EEC and the home of NATO combines with its long industrial heritage to produce a cosseted middle-class. Just as striking, though far less visible, is the failing health of Wallonia and the EEC's second highest unemployment rate. The average 4.5 per cent growth rates of the 1960s are a thing of the past and foreign investment is declining. The signs are that Belgium is beginning to live on capital rather than income.

King Baudouin of the Belgians (above) has been on the throne for 28 years — ever since his father's abdication in 1951. For many years he appeared diffident and shy, but the dramas and difficulties of his youth have matured him into a man of evident charm who is the key link in the ever-rough, ever-shifting seas of Belgian politics.

King Baudouin lives at *Laeken, just outside Brussels:* the Royal Palace in Brussels is used as an office and for official occasions.

It is there that the role of constitutional monarch is chiefly played out. With an average of one governmental crisis a year, not to speak of a general election every couple of years, the King's role consists of being both a mediator and catalyst between the five or six main Belgian political parties.

It is the King who appoints an "Informateur" who tests the temperature outside and reports back directly to him. Then, if the political climate is right, the King will appoint a "Formateur" to try to form a coalition government. The King's role is crucial in hammering out Belgium's successive coalition governments, and to the average Belgian going yet again compulsorily to the polls, the figure that emerges from the country's political crises with the most credit and dignity is the King.

Voters face a surfeit of representation

IF THE quality of democracy depended on the number of politicians who spoke for the citizen, Belgians could sit back and never give another thought to the security of their rights. For they are gradually moving towards the dubious distinction of being the world's most over-represented people.

By the time his Government has fully implemented its still shadowy plans for devolution of power—apparently the only solution to the country's long and bitter language war—the Belgian voter will be represented in the European Parliament, in the national parliament, in a regional executive committee, a cultural committee, possibly in some form of provincial or sub-regional body, and without doubt at communal level.

The Belgian voter, going compulsorily to the polls several times a year, may be forced in the end to conclude that politicians are like policemen: the more of them you have to defend your liberty, the less liberty remains for them to defend. But Belgians have learned to live with overregulation — their roads must be the most heavily signposted in Europe and the most anarchic. Moreover there is, at this stage, no reason to suppose that the latest devolution plan will be any less abortive than its many predecessors.

Artificial

The insurmountable obstacle confronting all political activity here is that Belgium is not, and never has been, a nation. Created in 1830 as a buffer zone between post-Napoleonic France and the Netherlands, to curb the expansionist tendencies of both countries, the political entity called Belgium remains artificial. The Flemish speaking and French-speaking communities have never overcome their mutual distrust sufficiently to act as one—indeed the two world wars earlier this century, which might have forged some feeling of national unity, served only to deepen the rift.

Few Belgians will admit nowadays to an interest in the linguistic struggle; most tend to deprecate it, saying it concerns "only a handful of extremists." Violent riots in [illegible] only last month, when [illegible] Flemish militants clashed [illegible] paramilitary units of the gendarmerie in the town of Fouron-le-Comte, confirm that Belgium's extremists do still feel as strongly as ever about the issue.

But they are not the only ones—the effects of the language divide are felt throughout the two communities—by the Flemish postmen who will not deliver letters addressed in French as much as by the parliamentarians who cannot devote their full attention to the country's severe social and economic problems because of their preoccupation with successive devolution plans.

The early industrialisation of Wallonia gave the French-speaking community an economic boost that preserved their social and political superiority until the Second World War. French speakers controlled the army, the civil service, commerce and politics. So pervasive was their influence that middle class Flemings reserved Flemish for their servants—elsewhere they spoke French.

The post-war decline of Wallonia's steel-based industries and the prosperity of agriculture and commerce in the north have completely switched the relative economic positions of the two communities.

Flemings earn more than Walloons, contributing around 80 per cent to the gross national product, and their representation in commerce, in administration and politics reflects their economic strength. But their long-ingrained sense of cultural inferiority has not disappeared—it has merely adopted an aggressive mask. The resentment is alive and well.

Nowhere is this more evident than in the capital, where linguistic tensions reach their highest point. Originally a Flemish city, Brussels has been francophone since feudal times, when the ruling families of the surrounding Flemish province of Brabant all spoke French. As the city grew, drawing in successive waves of migrants from the Flemish countryside, the new arrivals were obliged to integrate themselves into a francophone culture. French, the language of government, commerce and education, became a ladder to social advancement.

However with the growth of Flemish nationalism and the granting of equal status to the Flemish language, the bilingual Flemish quickly shot ahead of the Walloons in the higher echelons of the civil service and State industry, creating a siege mentality among the French-speakers.

Brussels was still 80 per cent French-speaking, a francophone island within Flanders, and the more militant French-speakers began a campaign to win for Brussels equal status in the Belgian constitution to the regional status of Flanders and Wallonia.

Aggravated

The tensions arising from this were aggravated by the population drift, over the past decade or two, from the city centre to the suburbs and spilling over into Flanders. This has created small but politically significant pockets of French speakers, disdained by the Flemish as a dirty "oil stain," an environmental hazard.

The wrangle over the linguistic rights of French speakers living in Flanders proved too much for Mr. Leo Tindemans, the former Belgian Prime Minister, who resigned in disgust just over a year ago, plunging the country into a six-months political crisis.

His successor and long-standing rival, Mr. Wilfried Martens, finally put together a centre-left coalition government in April, comprising five of the six parties in the Tindemans coalition government. Mr. Tindemans, in the meantime, took up Mr. Martens's old job as President of the Flemish Social Christian (CVP) Party.

Mr. Martens' answer to the language war was to drop the old coalition's Egmont Pact, a highly complex programme for devolution based on national, regional, cultural, sub-regional and communal institutions, in favour of a vague three-stage plan.

The first stage, implemented at once, delegated regional and cultural problems to four Ministerial committees: one to deal with Flemish regional and cultural matters, one for Walloon regional matters, one for Brussels' regional concerns, and one for French cultural affairs.

Legislation for the second phase is now before Parliament and due to be implemented from the start of next year. This "transitional and irreversible" phase will set up regional assemblies in each of the three regions and the Ministerial committees will become "regional executives."

Phase three, due to begin in 1982, will mark the end of the transitional phase and will usher in full devolution. Just how this is to be achieved is not yet clear, but doubtless the Government will, by then, have worked out something if it survives long enough.

Gaining time

By leaving his devolution plans vague, Mr. Martens was able to postpone the inevitable battle and gain a little time for the country's economic problems. His particular concern was to reduce unemployment which, at 8.8 per cent and rising, was the second highest in the EEC.

Here his plan centred on a 36-hour working week, with incentives to employers to hire 1 per cent more workers a year for two years. To offset the employers' higher costs, the Government proposed a 15 per cent cut in social security contributions and a freeze on real wages. Within two months, both employers and unions had rejected the plan and the inevitable watering-down process got under way.

Subsequent negotiations have, however, made little headway and the Belgian Government has referred the matter to its EEC partners in the Council of Ministers for further examination.

After eight months in office, the Martens Government has established its ability to stay in office for eight months, but so far not much more. It has yet to come to grips with the hard core of problems that undid Mr. Tindemans, and blocked the formation of a new government for six months. Little has changed: most of the faces are the same.

Whether the small adjustments at the top will be sufficient to keep this Government afloat longer than its predecessors remains to be seen. In any case, Belgium, which has weathered 34 government crises in the past 40 years, will probably continue to muddle through.

Margaret van Hattem

Industry expects another year of low profits and big debts

By a Special Correspondent

THE ECONOMIC outlook for West European countries next year is, to say the very least, clouded. Soaring energy costs fuelling higher inflation will probably lead to stricter monetary policies which in turn will have a further adverse impact on the business cycle.

The recent realignment of the European Monetary System when the West German mark was once again revalued against less successful currencies attempting to keep pace with it eased the upward pressure on interest rates.

But the respite did not last long and, led by the U.S. and Japan, rates have taken another upward spurt in Switzerland, Holland and West Germany and are likely to do so in Belgium, too.

Economic growth in 1980 is widely forecast to be lower for the whole of the OECD countries, although within the European Economic Community, West Germany should again outperform the rest. Why then is growth across the Rhine expected in real terms to be between 2.5 and 3 per cent while Belgium, the Netherlands and France cannot expect any more than 2 per cent?

The revival in corporate investments in Germany, which has been under way since 1976, is likely to continue in the next few years as a result of the high degree of use of existing industrial capacity and the brisk improvement in corporate profitability.

In Belgium, the picture is one of low company profits, over-large borrowing by the major corporations from their banks and the capital markets, and therefore of a low level of equity or risk capital leading to a poor solvency ratio between equity and total assets.

Another factor holding back new investments and their funding is the Belgian practice of only allowing depreciation of fixed assets at their original book value and not at their current value boosted by inflation. August Leeman, president of Belgium's third largest commercial bank Kredietbank, complained about this practice recently. According to him, a change here could free fresh funds for investments giving some sectors of outdated Belgian industries the vital shot in the arm they need.

Profitable

Any major new investment project must pass the test of whether it will be profitable and the major element in weighing the risk factors is the financial impact on the total costs of different ways of funding the operation.

A recent study of the Kredietbank of corporate indebtedness in Belgium shows that the country's leading corporate treasurers have not necessarily chosen, or been allowed to choose, the method of financing which is likely to lead to a healthy balance sheet position for their corporations in the long term.

Solvency, and particularly immediately available cash, is often more necessary in difficult times in order to survive than a whole range of unused shining new equipment, but the figures show that the solvency ratio of Belgian industrial companies (their equity funding compared to their total assets) declined to 29 per cent in 1977 from 50 per cent in 1964.

Weak profitability made it very difficult for them to attract fresh risk capital since the return for investors was not attractive enough. This forced them into debt financing where they met severe competition from the State which has been, and still is, struggling to finance its overwhelming public sector deficit from the same banks used by the corporations.

In times of fairly high liquidity this dual struggle has not caused any spectacular upsets for the companies—but it could in the future since the Government shows no sign of being able to make any significant reduction in its borrowing requirements. Attempts by the Government have been made to borrow abroad to ease the pressure on domestic interest rates now as high as 15 per cent, but these only affect a marginal part of the total indebtedness at stake.

So far the companies have found loans a tempting alternative to issuing external risk capital through new shares or convertible bonds or using internal risk capital by incorporating reserves.

Subsidies

Loans have helped keep up the level of profitability, and with inflation comparatively high the real redemption burden became lighter each year. The Government has systematically favoured loans as a means of financing investments. Unlike dividends, interest payable on loans is deductible from taxable profits. Government aids to companies, such as the ailing steel and textiles sectors where it has intervened heavily in the past few years, mainly consist of subsidies and Government guarantees which are both an incentive to borrow.

In theory, equity capital should have been the best source of new funds for Belgian corporations since it is not repayable, unless the worst happens and the company collapses, and dividend payments can be missed when things are going badly. However, investors have shown little interest in taking up fresh risk capital because they considered the return to be too low in relation to the risk involved.

This has squeezed Belgium's main companies into a strait-jacket of interest payments, redemptions and new loans and the indebtedness of industrial companies rose to over 69 per cent of total assets three years ago from 55 per cent 10 years before. The danger now facing them is that in periods of weaker earnings this may lead to problems and even to suspension of the payments.

The shift from equity capital to straight borrowing is even more marked with the utility companies, but it shows up most in the distribution sector. Here, indebtedness rose to over 79 per cent from 55 per cent in the same period due to high and regular growth in sales. Even after adjusting fixed assets for inflation, their percentage of short term debt is rising since distribution companies can obtain suppliers' credits fairly easily and have few investments in capital intensive plant.

The increased risk involved in the growing imbalance of corporate financing in Belgium is illustrated by the fact that in the 10 years up to 1976 the equity financing of industrial companies dropped to 68.7 from 85.8 per cent.

The Kredietbank concludes that the share of self-financing by Belgian companies has now become absolutely insufficient due to their underlying low profitability. Depreciations are inadequate to finance the growing cost of new investments and retained profits have become very small, while there has been a fall in financing by external equity such as new share issues.

Adding that the firms are increasingly tied down by contractual loan and interest repayments and therefore in a very vulnerable position, it calls on them to renovate and restructure and on the Government to create a favourable business climate by reducing the burdens and charges on them.

But it is the Government itself which is creating some of the problems faced by the companies in attracting new finance. The evolution of the public sector deficit in Belgium compares unfavourably with the rest of the EEC, where the total debt expressed as a percentage of gross domestic product has stabilised. In Belgium this grew from the 4.4 per cent in 1975 to 7.4 per cent this year. The total tax burden in Belgium rose more quickly than in the rest of the Community, but this was not enough to offset the very sharp increase in Government spending.

The Government's permanent deficit spending policy has led to high interest rates, and its monetary financing has pushed the balance of payments into deficit, reducing international trust in the currency. A weaker franc ought to have given Belgian exports an edge in international markets but under-use of production capacity and heavy dependence on imports have meant full advantage has not been taken of this trend.

For Belgian companies there seems no way out of their financing impasse unless they can become more profitable or the Government relaxes its stranglehold on the pool of available debt financing.

Economy's upsurge about to give way to decline

E BRIGHT days of 1979 are r in Belgium. The country's tomary dank autumn is being rored by economic analyses wing that the strong surge of Belgian economy in the first of this year has begun to ir out.

russels' sophisticated and glot bankers are already ing wry puns in English on year's prospects—not so h leap year, they say, as a able. Others content themes with saying simply that it be a lean year.

elgium's open, highly indusised and export-orientated omy snapped back into high just a year to 18 months Although some of the boost paradoxically itself a harer of worse times ahead, industry building stocks in cipation of further oil and modity price rises, much lted from real activity.

dustrial production surged d by 10.6 per cent during 12 months between mid- and mid-1979, easily overg the previous rallies in Belgian economy during the oil crisis years of the 1970s. ks to that mini-boom of the half of this year, the overall ovement in Belgium's Gross onal Product (GNP) is due 3.5 per cent for 1979 over as against 2 per cent-plus ase during last year over and 1.2 per cent in that over 1976.

jor gains were made in the ut of key Belgian industries g the economically sunny half of this year. The llurgical industries regis- production increases of 20 cent during the second ter of 1979, with textiles ing a gain of 13.7 per cent, icals 12.3 per cent and making 10.6 per cent working and foodstuffs grew by about 9.5 per cent tput, and only construction showed a serious decline of 13 per cent.

The result of these improvements was that Belgium's crucial industrial indicator, the level of production capacity actually in use, rose perceptibly to 77.8 per cent. That put it usefully beyond the previous 1976 high of just 77 per cent, even though it failed to make much headway back to the halcyon days of 1974 when the level was 85 per cent.

The improvement in industrial output failed, however, to yield any corresponding improvement on the employment front. Belgium suffers from the EEC's second worst unemployment level—Ireland is the hardest hit—and by last August the figures showed that 8.8 per cent of the working population, or 353,000, were still without jobs.

Spending

The stubbornly high unemployment rate is the key to one of Belgium's most pressing problems: government spending, spurred by snowballing social security costs, now weighs heavily on the Belgian economy. Whereas in Common Market countries as a whole the ratio between government expenditure and Gross Domestic Product (GDP) has for this year barely increased over 1975 levels, in Belgium it has gone from 46.9 per cent in 1975 to 53.1 per cent in 1979. In the same period the net deficit of the Belgian public sector has risen from 4.4 per cent of GDP to 7.4 per cent.

As a result, Belgian interest rates remain markedly higher than in neighbouring Holland and West Germany, where the inflation rates are similar, and industry has been starved of investment capital because the State has milked the domestic capital market to fund its mounting deficits. That in turn has contributed to Belgium's deteriorating balance of payments position.

The weakness of the Belgian franc has outweighed the advances made in increasing exports, which rose more than 7 per cent in volume for the first five months of this year over the corresponding 1978 period, so that for the first half of 1979 the payments deficit reached BFr 34.7bn. Luxembourg's balance of payments figures are included with Belgium's because of the economic union between the two countries, but it is clearly Belgium's weaknesses that have produced a turnaround from the balance of payments surplus of BFr 8.3bn recorded in the first quarter of 1978.

Attention has been focussed this year on Belgium's deteriorating public finances by the Government's decision to reverse its standing ten-year rule against foreign borrowing. Early on in 1979 it became clear that domestic borrowing must be curtailed to enable industry to raise risk capital. And that the shortfall between Belgium's public sector borrowing requirement for this year of BFr 335bn and the amount it could raise domestically was BFr 85bn. As much as BFr 54bn has been raised to date in short-term Duetsche Mark and Swiss franc loans — thus giving the balance of payments a much needed boost — and a $1bn eight-year syndicated Eurodollar loan is shortly to be floated to consolidate those of the short-term loans that cannot be rolled on past the end of 1979.

Next year is likely to see a succession of further large loans, for the BFr 85bn shortfall has now grown to around BFr 110bn thanks to social security costs. Belgium's public debt per head is twice as high as that of most neighbouring countries and the cost of interest payments on it now tops BFr 100bn a year. Attempts are being made to trim spending and over the coming two years cut the borrowing requirement back to 5 per cent of Gross National Product (GNP) from its present level of almost 7 per cent, but the political obstacles to important public spending reductions seem insuperable.

It is of course inflation that is the ugliest spectre haunting the Belgian authorities. Tough domestic controls last year brought the inflation rate down to 3.7 per cent from the 5.4 per cent that the consumer price index showed at the start of 1978. This year the picture has changed for the worse, with oil and commodity price rises pushing industrial wholesale prices up at the end of June 6.9 per cent against June 1978, whereas in January the year-on-year increase over January 1978 had been just 2.5 per cent.

Provided Belgian inflation rates remain in line with those of West Germany and the Netherlands, the major trading partners, Belgium's most immediate trading needs will be satisfied. But the fact that the consumer prices index at the end of October showed a 5.1 per cent rise over October 1978 is nevertheless triggering alarm bells. The country's system of automatically linking wages with that index has already prompted fears of a wages-prices spiral.

As with other countries, Belgium's bugbear is oil costs. The Government is reportedly attempting to negotiate a bilateral crude oil supply deal with Saudi Arabia, which could yield oil at $20.4 a barrel on a long-term basis. As it is, however, the oil price increases of 1979 have already cut Belgium's real GNP growth projections for 1980 by 1 per cent, so that the economy will next year expand by 2 per cent, and that target is based on the premise of no further oil price increases before the end of next year.

Giles Merritt

Trade gains nipped in the bud

By a Special Correspondent

IUM'S TRADE deficit has d to narrow sharply after olonged period of what economists had begun to structural imbalance, and as spurred optimistic prons of future trends by observers.

the latest figures availonly go as far as the er months—there was a sional BFr 366m deficit uly—and the underlying ok has changed much since The real trouble seems to ooted in the structure of ountry's exports. The exg industries have not ed significantly since the 60s even if the proportions varied.

gium exports around 72 cent of its total foreign to the European Comty, compared with about 59 cent in 1960. Within the on Market, West Germany most important trading er followed by France and etherlands. In this respect icture is not too bad: most mists agree growth will ue in West Germany next while both France and the major Benelux partners ot expected to suffer signt declines in their growth Where recession seems ed, in the United States and the UK. Belgium exports about 4 and 7 per cent of its total respectively.

Many economists think that with likely falls in exports to these trading partners, Belgium will also suffer marginal losses in the coming year in its exports to Asian and African markets, where economic hardship is expected to bite. However, these are carefully cultivated trading partners, built up and maintained under the watchful eye of the State and bountifully financed by the leading Belgian banks.

Smaller loss

With much political and financial as well as normal commercial interests invested in maintaining trade in these areas, Belgium is likely to lose less in its exports to these regions than other Western countries might in the approaching economic slowdown.

The main worry for Belgium appears to stem from the make-up of its principal exported products. The second most important product grouping is crude and processed iron and steel and base metals. An important proportion of this comes from Luxembourg, which for economic and monetary purposes forms a union with Belgium. This product group accounts for about 18 per cent of the union's exports, compared with around 37 per cent 20 years ago.

Despite these significant efforts to switch the emphasis elsewhere, the steel industry has been in severe recession for the past few years although signs of improvement—throughout Europe—have been noticed in the past few months. However, both Belgium and Luxembourg have made efforts more extensive than those of the European Community's Commission, to re-organise and restructure their steel industries. To a large exent this has meant scaled-down, although more modern, operations. It remains to be seen whether this will increase the sector's competitive edge over comparable industries in Europe and elsewhere for world markets.

Belgium's main exporting sector comprises machinery, car and truck production and manufacture of transport related accessories. This sector now accounts for roughly a quarter of the country's total exports and has nearly doubled in the past 20 years. At present, the exporting impetus of this sector is providing much of the dynamism behind the country's exporting efforts. But, once again, it is a sector which remains highly sensitive to outside trends. On one hand, a depressed long term outlook could reduce exports of machinery while on the other, consumer spending cuts could severly bite into automobile exports.

Belgium has export production concentrated in two other often troubled sectors, chemicals and chemical products (16 per cent) and textiles (8.5 per cent). But despite the history of decline in these industries, both sectors experienced higher production in the summer months, suggesting that there is still enough dynamism in the European economies to sustain acceptable growth. Another sector which also showed higher levels of activity in the summer months was the base metal sector, namely copper, zinc and lead. Belgium processes and exports most of the unrefined product it imports and this activity adds important value to the overall total.

However, it is essentially a structural problem that remains. Belgium does not have any concentration of exports in growth areas for the future, such as high technology, and the uncertain long-term outlook for the exporting sector, with its base in traditional and static, if not declining, industries, means further problems for the franc.

The vulnerability stems from Belgium's relatively open economy which places the country's trade balance, along with the inflation rate as one of the key indicators influencing the exchange rate. Only the Netherlands, among its European partners, appears to have a more open economy.

With the current account balance of payments running into heavier and heavier deficit —it stands at present at an annualised BFr 50bn — any deterioration of the trade balance places the currency in an even more difficult position. Luxembourg, which used to act as a haven for current account capital outflows and, through its union with Belgium, effectively retained the funds within the country, is for various reasons less important now as a magnet for Belgian funds.

The franc is weighed down by other problems too. The country's high level of public borrowing—somewhere between BFr 300bn and BFr 340bn this year — is already a problem.

Although some economists argue that high interest rate costs are detering new investment in Belgium's export industries, recent studies by Kredietbank, the country's third largest bank, have shown that such investment is relatively insensitive to these costs. At least, on this front there is some relief, but diversification into higher growth exporting industries would be a more welcome long term development for the country.

Farmers make the most of Community subsidies

IUM IS an object lesson w to squeeze the most out urope's Common Agricul- Policy. In this, the Belare way ahead of the h, who blame the CAP for rowing imbalance in their ibution to the EEC budget. they argue, can Britain get a fair deal from the when three-quarters of ounity spending goes on ulture and the UK farm r is too small to pick up share? But the Belgian ing sector is even smaller. e Britain produces about 11 cent of the Community's output, Belgium produces over 4 per cent. Yet while in receives less than 8 per of CAP spending, Belgium just over 7 per cent.

w do they do it? Well, part he answer lies with the en money" system which s Belgian prices as much as per cent above British. hen the Community buys up us produce, it costs more elgium. Secondly, Belgian ing is much more geared public intervention than British.

lgian farming is heavily entrated in those sectors lich the EEC gives the most ort. Its livestock sector unts for two-thirds of proon—including pigs 23.5 per cent, beef and veal 17 per cent, dairy 16 per cent—all of which are guaranteed prices well above the world market level.

Last year, support for the Belgian dairy sector cost the Community 210m EUA—6.2 per cent of the EEC total, although Belgian dairy output was only about 3 per cent of the Community total.

In cereals, Belgium produces less than 2 per cent of the EEC total, yet last year it received almost 9 per cent of EEC price support in this sector. Sugar producers did even better: on barely 4 per cent of the Community's sugar output, they received 14 per cent of price support, most of it in the form of hefty export rebates.

Within Belgium, farming is a relatively minor sector of the economy. It employs about 8 per cent of the workforce and contributes around 2.5 per cent of Gross National Product (the EEC averages are respectively 8 per cent and 4 per cent). But, as in most EEC countries, the farm lobby is well organised and has a political influence way in excess of its economic importance.

Confronted with the problem of the EEC's runaway farm spending — the drain on budgetary resources, the food mountains, the soured relations with non-EEC countries who claim that EEC dumping is wrecking their markets—the Belgians always point out politely that they are not the ones producing the surpluses. How could they be, when they produce only 4 per cent of EEC output? But behind this deliberate obtuseness lie severe economic and political problems which the Belgian Government is only too happy to solve at the Community's expense.

With unemployment steadily approaching 9 per cent, the second highest level in the Community, the Belgians are in no position to start forcing farmers off the land. Should the Community start cutting back its farm support, the smaller, weaker Belgian farmers will be among the first to feel the pinch.

But the Belgians have other problems on their minds. The energy crisis, aggravated by the recent events in Iran, points not only to higher farm costs but also to worsening industrial recession and higher unemployment. The inclusion of Greece, Spain and Portugal in the EEC some time in the next few years could mean unwelcome competition for the horticultural sector, as well as increased strain on the EEC farm budget.

Margaret van Hattem

Our correspondents assess the accomplishments and chart the histories of seven people who have made their mark on widely different aspects of the country's life.

The personalities who point the way

Wilfried Martens

THERE IS a well-known picture of Mrs. Margaret Thatcher strolling around the ancient city of Strasbourg in the company of Helmut Schmidt and Giscard *d'Estaing*, taken at the June EEC leaders summit. In the background there is a face that few would recognise, the slightly owlish features of Belgium's Prime Minister, Mr. Wilfried Martens.

Martens is not just internationally unknown. At home he has spent more time in the back-room than the limelight, and has never before held ministerial office. He is young—at 43 the youngest premier in the EEC—and six months in office has so far established his reputation as skilful if not forceful.

Martens emerged this April at the end of Belgium's 34th government crisis in 40 years. The moderate president of the majority Social Christian Party, he seemed to be the only person around who was trusted by both the main francophone parties and the Flemish militants.

Dubbed "le poisson froid" by the Belgian Press, because of his thick glasses and taste for *cod-fishing in the North Sea*, Martens has been active in Flemish politics since his schooldays.

Born on a small farm near Ghent, the eldest of five children, he was persuaded by the local cure to study for university and not to take over the farm when his father died. *He went to* the Catholic University of Louvain where he joined a militant Flemish group and studied law. Later he practised as a barrister in Ghent.

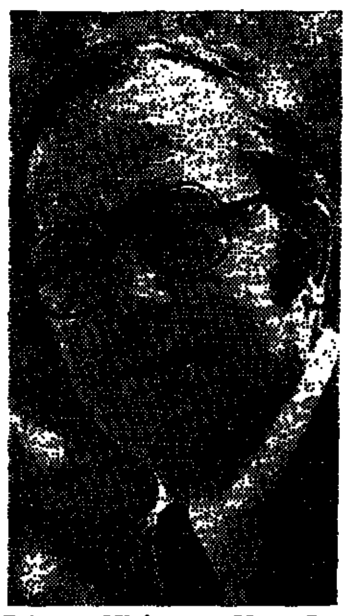
He worked his way up the ranks of the Social Christian *Party (CVP) and was elected* president in 1972. Two years later he was also elected to parliament. As a backroom boy he has been adviser to three former prime ministers and admits that he would not have chosen to take on the hot seat quite yet.

Although Martens has held the Government together for eight months, his position is still precarious. Last month, two of the five parties threatened to withdraw from the coalition and the Government could equally easily be rocked by a fresh upsurge in violence between the linguistic communities.

The third threat comes from *inside his own party*. The former Social Christian Party Prime Minister, Mr. Leo Tindemans, who resigned last October, has now swapped jobs with Martens as party chief and relations between the two men are said to be strained.

In *the meantime Martens* is trying to cope with the looming economic crisis, and gradual *collapse of the expensive social* security system. On the chances of his Government lasting long enough to see his austerity measures bite, he refuses to be drawn.

Pamela Readhead



Leo Tindemans

LEO TINDEMANS is a man who unmistakeably enjoys power. Like a successful *restaurateur, his living* room contains signed photographs of the famous: Belgium's King and Queen, the Emperor of Japan. In contrast, his home is a simple middle-class villa in a quiet tree-lined suburb of Antwerp, his political stronghold.

Tindemans was Prime Minister from 1974 to last October when he resigned over the so-called Egmont Pact devolution plan. He had already called for and won a general election in 1977, and was confident that *last year's crisis would* result in an election from which he would emerge in an even stronger position.

In the event, the French-speaking wing of his party objected and Tindemans was out in the cold. Now with ill-disguised impatience he waits in the wings for an opportunity to swap back his role of Social Christian party chairman with that of Premier Wilfried Martens.

Tindemans was born near Antwerp in 1922 and studied commerce and economics at university. He started work for the Social Christian Party in 1955 and became party secretary three years later.

In 1961 he became a member of parliament and in the following year, to his great satisfaction, studied under Kissinger at Harvard.

Since then he has been Professor of International Relations at Brussels University and has held various Government posts ranging from Minister of Agriculture to Deputy Prime Minister and Budget Minister.

As Prime Minister his main task was the reorganisation of Belgium into a tri-partite de*volved administration* and for a time it seemed that his coalition was in a strong enough position *to pull off the reform. However*, as with his earlier report on European unity, the blueprint remains, even if the ideals have yet to be put in to practice.

Tindemans, while not a flashy politician, is a fluent speaker, relaxed and jokey, with his constituents and good with old ladies. He is also able and has been at the forefront of Belgian politics for so long, with the proven durability and stature that makes it hard to believe that he will not come bounding back on to the centre stage before long. Clearly this is what he believes, too.

P.R.

Cecil de Stryker

IF EVER a central banker had a vocation, it must be Belgium's Cecil de Stryker. Just 40 years ago he produced as his thesis for a doctorate in business studies a paper entitled "The Functions and Operations of the National Bank of Belgium, 1914-1938," and by 1975 had scaled the institution's heights to be appointed governor for a five year term.

British-born "by accident" he has said, in Derby in February 1915—Cecil de Stryker has become inside Belgium the personification of the country's tough battle to defend the franc successfully against successive speculative raids. Throughout three separate crises, when in March 1976, July-September of that year, and December 1977, the foreign exchange markets seemed bent on forcing devaluation on Belgium, he directed the counter offensives. He continues to make it plain that Belgium's estimated B.Fr 225bn in net external assets will be unhesitatingly committed should further defence of the currency be required.

World War II delayed Mr. de Stryker's ambition to work for *the national bank until 1945 and* the liberation of Belgium. In the interim of 1944-46 he headed *the economic department of the* country's association of chemical industries. The central bank that he at last entered upon the end of war was, however, considerably less of a force in Belgian affairs than it has since become. Its present-day role as the authority controlling money supply and interest rates policy is a far cry from the chief post war responsibility of issuing currency.

Partly no doubt, as a response to the shifting sands of Belgium's fractious politics, the national bank emphasises its *apolitical nature. Although the* state holds a majority stake of over 50 per cent, the remainder of the shares is distributed among the country's leading financial institutions.

Giles Merritt

Baron Lambert

BARON LEON LAMBERT appears on the letterheads only as vice-chairman of Belgium's second largest bank, the Banque Bruxelles Lambert. It is a confusing nuance, for he is nevertheless one of the country's most prominent and influential bankers and was architect of the major merger that created the bank in 1975 with the joining of Banque Lambert and the Banque de Bruxelles.

That Baron Lambert is not titular head of the bank speaks volumes in explanation of the close relationship that exists between the country's top two banks and the industrial and financial holding companies that are, paradoxically, a separate but integral part of them.

Just as the No. 1 bank, Societe Generale de Banque, is intimately allied with the most powerful financial giant Societe Generale de Belgique, the Banque Bruxelles Lambert interests are linked within the Group Bruxelles Lambert. Baron Lambert is chairman of both the Groupe and the Compagnie Bruxelles Lambert that hold the investment portfolios.

Born almost 51 years ago with *an undoubted silver spoon in his* mouth, Leon Lambert has nevertheless demonstrated that *heredity has been a marginal* factor in his success. Following Yale and the University of Geneva, he found himself at the head of the Lambert family financial empire before his 21st birthday. But it was not until the late 1950s that the Group Lambert began to expand at the rate that has taken it almost to the top of the Belgian league table. The story goes that the young Baron Lambert was first spurred into action when he overheard a not entirely serious rumour circulating on the Brussels Bourse that Lambert *might buy the almost bankrupt* Caisse de Report et Depots.

He did, and as the Banque de Report it became a nucleus of the expanding Banque Lambert.

G.M.

Viscount Etienne Davignon

WHEN Viscount Etienne Davignon takes part in a Brussels international meeting he invariably spurns the headphones for simultaneous translation. He is one of the rare Eurocrats who is polyglot. Tall, elegant and cultured he is an energetic personification of European renaissance man. Disliked for his intellectual hauteur, he is nevertheless admired as a man who actually gets things done.

Sometimes called Stevie Wonder, or the Eddy Merckx of international diplomacy, Davignon undoubtedly has star appeal. He is also personally attractive and young. At 46 he already has a sparkling career behind him, and there is no sign of his ambition flagging.

He was appointed EEC industry commissioner in 1977 and for a time it was thought that the urbane milord would not want to accept what was then a rather dreary job. He had *already made it clear that he* wanted the more glamorous external relations commission.

Two years later, Davignon has turned industry into one of the liveliest and most closely watched departments in the Commission. He has already lent his name to the Davignon Plan for rescuing the steel industry, which has taken over from the Davignon Committee for political co-operation as his main claim to fame.

Davignon was born in Budapest where his father was ambassador, and was brought up in Germany, Poland and Switzerland as well as Belgium. At first he was not interested in a diplomatic career and so took a law degree at Louvain. It was his father who persuaded him to give the foreign service a try and he was given a watching brief on the Belgian Congo.

By 1969 he had become head of the political affairs department, a position which carries the rank of ambassador. It was in this capacity that he set up *what is still known as the* Davignon Committee to co-ordinate the foreign policies of the Nine outside the strict framework of the Treaty of Rome.

His next job was chairman of the International Energy Agency in Paris, and this was followed, a year later in 1975, by a key role in the group which drafted Mr. Tindemans' report on the future of the EEC.

Davignon was therefore well placed in 1977 to take over as Belgium's commissioner at the EEC, at the nomination of both Mr. Tindemans and Mr. Roy Jenkins who was about to become president of the Commission.

As a commissioner, Davignon has nerve and determination to get things done, often at the expense of etiquette and red tape. His dealings with the Council of Ministers have sometimes had the air of an elegant steamroller.

P.R.

Eddy Merckx

BELGIUM HAS its second monarch, the "Petite Reine" as *the bicycle is known*. In his 20 year career, Eddy Merckx, or "notre Eddy" established himself as the sporting hero of Belgium. Now 43, he has retired from the game and, out of the glare of publicity, is now a businessman. He runs a bicycle factory, no less, on the outskirts of Brussels and lends his name to low cholesterol margarine advertisements. And as an adviser to the Belgian Olympic cycling team he will be back in the arena in Moscow next year.

He still remains a national hero—even today, in the bars and cafes of Belgium there will always be someone to tell you that, *if a spectator had not* thumped Eddy Merckx in the liver in the 1975 Tour de France, he would have beaten the record of the legendary French cyclist Jacques Anquetil and won six Tours. His 1972 world speed title still stands.

What characterised Eddy Merckx was that he always wanted to win—even if, as in his debuts, he bent the unwritten rules and left his team and leader behind.

But there also existed a "quid pro quo" as in 1967 when Tom Simpson, the only British cyclist of European renown, agreed to help Merckx, a member of his own team, to win the Milan-San Remo against Simpson's victory in the Paris-Nice. Simpson collapsed during the Tour de France that same year *and his death was officially* described as due to illegal medication. Merckx, himself, had several brushes with the cycling authorities and in 1969 he was suspended during the Tour of Italy. This was lifted 12 days later when the Federation acquitted him.

Merckx was the first Belgian in 30 years to win the Tour de France and no other Belgian cyclist has yet taken his place as a national hero, though Merckx himself *says that* Daniel Willems shows promise of doing so. He remains the symbol of *success for a small country with* the population of London, and living proof that it can produce *world champions.*

Juliet Bourgouin

Pierrot Wynants

"*THE THIRD* star is the marshal's baton. You work for it all your life," says Pierrot Wynants, "but I wouldn't jump off the roof if we lost it."

Three stars in the Guide Michelin is the highest rating a restaurant can have. There is *never more* than a *handful* in France. Outside France there are only two and both of them are in Brussels. This year Mr. Wynants's Comme Chez Soi become one of them.

Comme Chez Soi is a family business, started 53 years ago by Wynants's grandfather and passed on to Pierrot only three years ago. Unlike the Villa Lorraine, which is the other three star restaurant in Brussels, Comme Chez Soi is small and unpretentious. Discreet rather than cosy, it reflects the personality of its owner and, as he puts it, of his "excellente épouse," down to the last detail.

The restaurant is in the centre of Brussels, a narrow frontage on to a rather run-down little square. Its downstairs dining room holds little more than 40, and upstairs there are a few rooms for small private parties. At the end of the main dining room there is a glass wall looking straight into the kitchen where Mr. Wynants supervises and can also be seen bent over his accounts.

The food is superb, even though Wynants stresses: "It is simply the food I like to cook and eat." His specialities are his favourites and include game from the Ardennes, North Sea and Mediterranean fish and a range of unusual starters such as an intricate Gateau de Legumes with water cress sauce.

With such a small restaurant there is often a week or more's wait for tables, yet most of the clients are regulars. "The grand noblesse, politicians, businessmen and lawyers," says Mr. Wynants, "*but also a lot of* people who come once a year for an anniversary or to spend their winnings at cards."

Pierrot Wynants never wanted to do anything else but cook. At 15 he went to study the art but left after six months because "I wasn't good enough." So his father decided to train him from scratch, starting with *cleaning the floors*. Later he went to the Tour d'Argent and the Grand Vefour *in Paris* and spent five years in France before coming home to join his father for good.

P.R.

APPOINTMENTS

Senior posts at Debenhams

Mr. E. E. Crabtree, a member of the Board and formerly chairman of the fashion multiples division, has been elected deputy chairman of DEBENHAMS. Four other existing directors have been appointed managing directors for the department stores, responsible to Mr. R. C. Thornton, the chief executive and chairman designate. Mr. K. G. Bishop (director of finance) to be managing director, finance. Mr. A. E. Carr (director of personnel and of shop-in-shops) to be managing director, department stores operations. Mr. A. S. Noble (director of development and planning) to be managing director, administrative services and development. Mr. B. Richman (director of buying, non-textiles) to be managing director, buying.

Since the position of divisional chairman of the department stores division will cease, Mr. J. Barnsley will assume special responsibilities in relation to the department stores, reporting to the chief executive. Mr. A. Wilson is discussing a joint venture with the company and, to develop this interest, is relinquishing forthwith his appointment as sales director. On assuming his appointment as managing director of a new company to be established for the joint venture, he will relinquish his directorship of the company. Mr. J. K. Cater has retired from the Board. Mr. J. R. Gillum, a deputy chairman of Samuel Montagu and Co., has been appointed a non-executive director.

*

Mr. Ian A. Martin has been appointed a group director of WATNEY MANN AND TRUMAN BREWERS. He was formerly director Europe of the electrical wholesale division of International Telephone and Telegraph (ITT), and chairman of ITT Distributors.

*

While continuing in his executive position as a director and chief general manager of MIDLAND BANK, Mr. Malcolm Wilcox is to succeed Mr. John ...re as chairman of Midland Bank Finance Corporation, Forward Trust and Midland Montagu Leasing when Mr. Cave retires on December 31.

*

Datron has appointed Mr. Frank E. Eliel as financial director of its holding company DATRON INTERNATIONAL. Mr. Eliel was previously assistant director of studies, teaching finance at Ashridge Management College, after being factory financial controller at Hoover.

*

After 42 years' service with the COURTAULDS GROUP, Mr. D. Entwistle is to retire from the board on December 31. He joined Courtaulds in 1937 and was appointed a director in 1967. He will continue as a consultant.

*

The Employment Secretary has reconstituted the SHIPBUILDING INDUSTRY TRAINING BOARD for a further three years. He has reappointed Mr. F. Metcalfe as chairman and has named 20 other members. These include nine new members: Mr. G. F. Belton, Mr. N. Clarke, Mr. J. Hardman, Mr. W. Richardson, Mr. H. Robson, Mr. A. Scott, Mr. G. A. Smith, Mrs. P. Turner and Mr. P. V. Wagstaffe.

*

Mr. E. G. Beaumont, deputy chairman and joint managing director, has been elected chairman of BUNZL PULP AND PAPER from July 1, 1980, when Mr. G. G. Bunzl retires.

*

Mr. C. G. K. Smith, group general manager of THE NATIONAL BANK OF AUSTRALASIA, will retire on December 21 and will be succeeded by Mr. J. D. Booth, at present general manager. Mr. E. N. M. Finnie, assistant general manager (banking) will become general manager.

*

Mr. Noel W. Deeks and Mr. Michael J. Prince have been appointed joint managing directors of JAMES WALKER GOLDSMITH AND SILVERSMITH following the resignations of Mr. Gerald S. Sanders and Mr. Anthony W. Metherell.

*

Mr. W. J. Shaw has been named general manager and chief executive officer of the BANK OF NEW ZEALAND. He will take over from Mr. B. H. Smith, who retires on December 31 after more than 45 years' service. Mr. V. L. Ansell, at present assistant general manager, will succeed Mr. Shaw as deputy general manager. Mr. R. B. McCay, until recently district manager, Auckland south district, is to become assistant general manager.

*

Mr. J. S. Smale joins the board of COURAGE on December 1 from Ford of Europe where he is director, employee affairs. He will become personnel director of Courage on January 1 succeeding Mr. Peter Matthews who then takes over as chairman and managing director of Courage (Eastern).

*

SAUDI INTERNATIONAL BANK (Al-Bank Al-Saudi Al-Alami Limited has promoted Mr. Adel Jamal and Mr. Christopher Dunkerley to managers in the general banking division.

*

AT MERCHANT INVESTORS ASSURANCE COMPANY Mr. Bernard Brindley has become Appointed Actuary. He had, until recently, been chief actuary with the company and was previously with the Commercial Union Insurance Company. Mr. Ken Wrench, who recently joined Merchant Investors from the National Mutual Life Asurance Society, becomes pensions manager.

*

HARRIS QUEENSWAY has appointed Mr. Peter A. Davis as executive deputy chairman from May 1980. He will be leaving Price Waterhouse and Company, where he has been a partner since 1974.

*

Mr. K. J. McCarthy appointed director of BRITISH LAND CONSTRUCTION, a wholly-owned subsidiary of British Land.

*

Mr. G. C. Howard and Mr. A. B. Majbroda have resigned from Board of WINN INDUSTRIES. This follows the successful bid for Winn earlier this year by London and Midland Industries.

*

The following have been appointed executives of AKROYD AND SMITHERS stockjobbers: Mr. R. D. Aldridge, Mr. M. J. Blaber and Mr. J. A. Thompson.

*

Mr. John Asprey has been elected chairman of ASPREY AND C. for a period of five years. Mr. Eric Asprey, the retiring chairman, remains a managing director.

CONTRACTS

Scotland Yard command centre

Scotland Yard is planning the introduction of a new computerised command and control system. Nerve centre of the scheme will be a new command centre to be built at New Scotland Yard, linked to purpose-built control rooms throughout the Metropolitan Police district. SPERRY UNIVAC has been awarded a contract for a computer aided despatch and message switching system which will enable the police to give a faster and more effective service to the public. At the heart of the system will be a multi-processor system. It will be supported by two minicomputers, providing police operators at New Scotland Yard and local police stations throughout the 786 square miles of the Metropolis. A network of computers will embrace some 600 terminals. It should become operative in 1982.

*

A long-term vehicle hire contract worth more than £1m has been awarded to TRANSFLEET SERVICES, Stirling. The order comprises a wide variety of vehicles from 13 ton gvw to 1 ton for the distribution of confectionery products in East Scotland.

*

BOGGS AND HILL has been awarded an £320,000 contract by Prudential Assurance Company for the complete refurbishment of Nos. 28-34 Wigmore Street, London's West End. The contract includes extensive internal alterations to the five-storey Victorian building, providing refurbished individual shops at street level and open-plan offices on the remaining floors.

*

An order worth around £750,000 has been placed with WILLIAM PRESS AND SON by Carnon Consolidated Tin Mines, an RTZ subsidiary. The contract covers a refurbishing programme for the Wheal Jane Tin Mine near Truro, Cornwall, for the production of tin, copper and zinc concentrates. The work includes the overall refurbishment, modernisation and expansion of the surface equipment including the conveying, crushing, grinding, flotation and separation systems together with ancillary pipework, etc. The metallurgical plant is scheduled to resume operation in mid-1980.

*

TITANIUM METAL AND ALLOYS have been awarded a contract worth around £500,000 for 220,000 ft of titanium fin fin extended surface tubing by Motherwell Bridge Thermal for the production of 14 heat exchanger tube bundles to replace existing aluminium brass bundles on one of the process units at the Fawley Refinery of Esso Petroleum.

*

The State Energy Commission of Western Australia has selected RP AUTOMATION to design and supply a data acquisition system worth about £500,000 for its Muja power station in Perth. The system is to be based on a PDP11/40 computer and Reypak 95 industrial interface hardware and will collect operational data from the plant comprising two 200MW(e) boiler/turbine generator units. The system is to be delivered early in 1980.

*

Re-construction of existing premises at 3-4 Onslow Gardens, Kensington, into luxury flats facing Onslow Square is to be carried out by BOVIS CONSTRUCTION under a contract awarded by Zablow of London SW7. Valued at around £336,000, the work is to be completed in August 1980 and represents Phase I of a four-phase development.

*

The Dover Harbour Board has placed an order with PERKIN ELMER DATA SYSTEMS worth £250,000 for a computer system to handle all the passenger and vehicle movements at its Eastern Docks. Terminals will be at every check point and will be on line to a dual Perkin Elmer 1635 minicomputer. Large monitor screens will also be installed in the restaurant, booking hall and other public areas to show the current arrival and departure status of all ships to the French and Belgian ports.

*

An order worth around £150,000 for its TEP 600 30-channel pulse code modulation transmission system has been received by PLESSEY TELECOMMUNICATIONS from Southern Region of British Rail. The equipment will be manufactured by the transmission division in Beeston, Nottingham and will be used on the St. Denys/Totten re-signalling scheme in the Southampton-Portsmouth area.

INSURANCE

Deal by Commercial Union with windscreen replacement group

BY OUR INSURANCE CORRESPONDENT

MANY MOTORISTS may enjoy a lifetime of driving without having their windscreens; but on average they can expect to have them once every 250,000/300,000 miles, or every 25 to 30 years. To put it another way, each year about 4 per cent of motorists are affected.

In Britain, private and commercial motorists require 1,000,000 windscreen replacements a year. The loss of a windscreen is a minor irritant if it can be quickly replaced. But an increasing number of repairers are becoming less enthusiastic about providing windscreens.

For the last 10 years or so, major motor insurers have provided NCD protected windscreen cover in their "comprehensive" policies. That is to say, they pay a claim for windscreen replacement without prejudicing the claimant's no claims discount. Occasionally there have been rumblings in the market that this feature is becoming too expensive and should be stopped, but clearly no insurer wishes to be the first to take the step.

Nevertheless, the emphasis has to be on claims cost containment. Last week, Commercial Union announced that it would recommend its 500,000 motor policyholders to use the services of the Windshields group. The group operates a 24-hour countrywide service from 68 centres in the UK. It is developing a Continental service.

From now on, with each motor renewal, CU will provide a sticker so the driver knows where to go and what to do if his windscreen shatters.

CU has negotiated with Windshields a 20 per cent discount on replacement windscreens—not just for its comprehensive policyholders, but also for those with third party cover. CU emphasises that the comprehensive policyholder will not suffer loss of NCD.

I understand that a CU motorist with comprehensive cover who uses Windshields' service will have to pay on the spot for replacement. He will not be able to pass the account to insurers and ask them to pay on his behalf, as is standard practice with other motor repairs.

Obviously, Windshields will accept cash. But its brochure says: "Our mobile teams even accept most credit cards . . . and it has been known that they are happy to accept even foreign currency."

Windshields also issues its own credit cards, which give the motorist up to 30 days grace on presentation of the invoice.

Major motor insurers have always been against compelling policyholders to use particular repairers. They have even been wary of recommending their use, because they felt this could incur some relationships. They have argued that it is better to leave the policyholder to make his own choice so there can be no recriminations with insurers if the repairer does a bad job.

The CU-Windshields link, limited as it is, marks a positive change of attitude. In making its recommendation, CU is, of course, recognising that as Windshields now provides the majority of replacements in Britain, inevitably it services most claiming CU policyholders. To this extent, the recommendation is a recognition of actuality.

A number of questions remain. The main one is that if Windshields is prepared to give 20 per cent discount to CU policyholders, as it does to many other non-insurance motoring groups, and if it is prepared to give similar discounts to other insurers, aren't a lot of other people making an excessive profit out of the provision of windscreens?

CONTRACTS AND TENDERS

ASWAN II HYDROELECTRIC POWER PLANT

TENDER INVITATION FOR ELECRICAL AND MECHANICAL ENGINEERING WORKS

The Qattara Project Authority, acting as executive agency for the Ministry of Electricity of the Government of Egypt, hereby invites interested companies to tender for the contracts for electrical and mechanical works for the Aswan II hydro-electric power plant, to be constructed on the Nile at the old Aswan dam 800 km south of Cairo. The electrical and mechanical works will be divided on four single contracts comprising manufacture, supply and erection of the following items, viz.:—

CONTRACT No. 2: TURBINES: Four vertical Kaplan turbines, designed for a discharge of 380 m³/s each at 20 m net head and 100 r.p.m.; cooling water system; drainage and dewatering plants.

CONTRACT No. 3: GATES: Forty slide gates, 15 m²; eight intake gates, 60 m²; trashracks, intake stoplogs; intake gantry crane; four draft tube gates, 40 m²; draft tube semi-portal crane.

CONTRACT No. 4: GENERATORS: Four generators, 75 MVA, 100 r.p.m., 50 cycles; two 150 tonnes travelling cranes.

CONTRACT No. 5: ELECTRICAL EQUIPMENT: Generator switchgear, two 132 kV transformers 150/75/75 MVA; a double circuit 132 kV transmission line, 1 km; outdoor switchyard; control equipment; station power and lighting.

The civil engineering works will form a separate contract, Contract No. 1, as previously advertised.

The project is planned to be financed by the Government of Egypt and foreign financial sources, inter alia the World Bank Group. A loan has been applied for from the World Bank and it is intended that proceeds from this loan will be applied for payments of eligible parts of the electrical and mechanical works subject to the conditions of such loan, in which case tendering will be restricted to companies from member countries of the World Bank and Switzerland.

Tender documents will be available from 15 February 1980. Tenders shall be submitted in triplicate before or on 15 April 1980. It is scheduled that the first turbo-generating unit shall be commissioned in September 1983; the remaining three units will follow at intervals of three months. Companies intending to tender are required to register their interest with the Consulting Engineer—SWECO, Linnégatan 2, P.O. Box 5038, S-102 41 Stockholm, Sweden; telex 17597 SWECO S—and will against payment to SWECO of US$ 500 for each contract receive a set of four copies of the respective tender documents.

QATTARA PROJECT AUTHORITY

18 Hoda Sharawy Street, Bab El Louk
Cairo (Egypt)
Telex 92 694 QTARA UN

Sealed tenders on prescribed forms are invited from reputable firms of established financial standing, up to 3 pm on 24th December 1979 for supply of Electrode Graphite Cylindrical Nipple Graphite tapered and Taper Jointing Graphite Electrodes of Types/Sizes as enclosed with the tender forms. The tender forms and the specification of the stores are available from the undersigned on any working day.

MINISTER (SUPPLY)
HIGH COMMISSION OF INDIA
ALDWYCH, LONDON, WC2
Tel. No. 01-836 8484 Ext. 329/332

PLANT & MACHINERY SALES

1) ROLLING MILLS
20in x 30in x 350 h.p. Two High Reversing Mill.
5in x 12in x 10in wide variable speed Four High Mill.
3.5in x 8in x 9in wide variable speed Four High Mill.
10in x 16in wide fixed speed Two High Mill.
10in x 12in widefi xed speed Two High Mill.
6in x 16in x 20in wide Four High Mill.
2) CUT/LENGTH LINE 1,500 mm x 3 mm x 15 Ton Coil.
3) CUT/LENGTH LINE 1,000 mm x 2 mm.
4) CUT/LENGTH LINE 750 mm x 3 mm.
5) CUT/LENGTH LINE 400 mm x 3 mm.
6) WIRE FLATTENING AND NARROW STRIP ROLLING MILL two stand by R.W.F. 10in x 8in rolls.
7) SLITTING LINE 920 mm x 10 ton coil by Cam.
8) SLITTING LINE 300 mm x 1 ton coil by Cam.
9) SLITTING MACHINES 36" and 48" by Weybridge.
10) 350 h.p. REVERSING MILL, 20in x 30in rolls. Farmer Norton.
11) PLATE SHEAR 4ft x 1in. Cincinnati.
12) GUILLOTINE 8ft x 0.125in Pearson.
13) No. 1 FICEP SCRAP SHEAR, 75 x 35 mm bar.
14) SHEET LEVELLING ROLLS, 920, 1,150 and 1,850 mm wide.
15) HYDRAULIC SCRAP BALING PRESS. Fielding & Platt.
16) FORGING HAMMER 3 cwt, slide type, Massey.
17) VERTICAL WIRE DRAWING BLOCKS 24in dia. x 25 h.p. Farmer Norton.
18) AUTOMATED COLD SAW, non ferrous. Noble & Lund.
19) WIRE DRAWING MACHINE, MARSHALL RICHARDS VARIABLE SPEED 6 BLOCK PACEMAKER (25 hp x 22 inch in line, non-slip Drawblocks).
20) 1972 WIRE STRAIGHTEN AND CUT-TO-LENGTH MACHINE. Max capacity 10 mm dia. m.s.
21) HORIZONTAL DRAW BLOCK 36in Farmer Norton.
22) WIRE DRAWING MACHINE 9 DIE cone type. Unity.
23) WIRE DRAWING MACHINE 15 DIE cone type. Marshall Richards.
24) COMPLETE BICYCLE RIM MANUFACTURING PLANT for disposal, capacity 300 rims per hour.
25) 6500 CFM ATMOSPHERE GENERATOR (nitrogen by incandescent for disposal).

Wednesbury Machine Co. Ltd.
Oxford Street, Bilston,
West Midlands.
Tel: 0902 42541/2/3. Telex: 336414

WICKMAN 1¼ 6SP AUTOMATIC, reconditioned to maker's limits.
WICKMAN 1¼ 6SP AUTOMATIC, Rebuilt to maker's limits.
WICKMAN 2¼ 6SP AUTOMATIC, reconditioned to maker's limits.
CONOMATIC 3¼ 6 SPINDLE, reconditioned to maker's limits.
RHODES 80 TONS PRESS, adj. stroke, roll feeds. As new.
HME 200 TONS PRESS TYPE C28, roll feeds. Excellent.
NATIONAL COLD HEADERS ½" x ⅝" dia. Recond. Excellent.
200 TON HYDRAULIC PRESS, bed 36" x 22". Exceleint.
450 TON HYDRAULIC PRESS, bed 36" x 24". Excellent.

Rolls Tools Ltd.
154/6 Blackfriars Road, London SE1 8EN
Tel: 01-928 3131. Telex: 261771

Invitation for proposals to purchase assets of Come-By-Chance refinery

Peat, Marwick Limited, Receiver and Manager of Provincial Refining Company Limited, will consider written proposals to purchase the assets of the Come-by-Chance Refinery and off-site facilities located at Come-by-Chance, Placentia Bay, Newfoundland, Canada. The design capacity of the refinery is 105,000 BPSD based on design cases for Kuwait and Light Iranian Crude.

Process Units and Design Capacities:
- 105,000 BPSP Crude/Vacuum distillation unit
- 18,000 BPSD Visbreaking* unit
- 26,700 BPSD Platforming* unit (Catalytic Reformer)
- 18,800 BPSD Distillate Hydrobon* unit (Hydrotreater)
- 35,000 BPSD Distillate Isomax* unit (Hydrocracker)
- 19,800 BPSD Naphtha Hydrobon* unit (Hydrotreater)
- 66 million scfd Hydrogen plant
- 6,300 BPSD Light Straight Run (LSR) Merox* unit (extraction and sweetening)
- 14,200 BPSD Kerosene Merox* unit (sweetening)
- Light ends recovery and treating unit
- 22 million scfd amine regeneration unit
- 200 LT/D Sulphur recovery unit

*Processes licensed from UOP Inc.

Related Facilities, Including:
- complete utilities plant
- tankage
- crude and product pipelines
- pollution control system with:
  - API separator
  - effluent biological treatment
  - 250 foot H_2S incinerator stack
  - 200 foot waste-gas flare stack
- warehouse and spare parts
- suitably furnished office building
- central control room
- laboratory
- accommodation facilities consisting of:
  - motel units
  - bunkhouse campsite
- machine shop
- fire and ambulance building

The use of port facilities comprising a tanker jetty and material handling jetty is subject to negotiation with their government owners. There is rail access to the refinery from the Canadian National System.

The refinery was started up in December 1973, shut down in March, 1976, and is now mothballed in accordance with advice from experienced operations personnel of The British Petroleum Co. Ltd.

All proposals must be submitted in writing no later than December 31, 1979 to Peat Marwick Limited, 30th Floor, Commerce Court West, Toronto, Ontario, M5L 1B2, Canada. Attention: Mr. Gary F Colter.

Further information regarding the assets of the refinery, including general background information, may be obtained by contacting:
Mr. Paul A. Hayes: (416) 863-3603
Mr. Gary F Colter: (416) 863-3453
Mr. Michael A. Trites: (416) 863-3457
Or Telex Veritatem No. 06-217692
Or Telecopier (416) 862-9069

Peat Marwick Limited
Receiver and Manager—Provincial Refining Company Limited
P.O. Box 31, Commerce Court West
Toronto, Ontario, M5L 1B2 Canada

COMPANY NOTICE

London Borough of
HOUNSLOW
Variable Rate Stock 1982

For the six months from 25th November, 1979 to 25th May, 1980 the interest rate on the above stock will be 17.5% per annum

Midland Bank Limited

COMPANHIA DO CAMINHO DE FERRO DE BENGUELA
Sociedade Anonima de Responsabilidade Limitada
Head Office: LOBITO

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting will be held on the 19th December, 1979, at 9 a.m., at the Company's Head Office, at Lobito, with the following agenda:
1.—To discuss and approve, or to modify, the balance sheet and the Board's report and accounts, and the Fiscal Board's report, for the administrative period ended 31st December, 1977;
2.—To carry out the elections and confirm the appointments for the Board of Directors and to decide on the filling of one vacancy on the Committee provided for in clause 50, para. 5 of the Articles of Association.

Lobito,
14th September, 1979.
LUIZ SUPICO PINTO,
Chairman.

9% TREASURY LOAN 1994
BONDS TO BEARER

The Bank of England give notice that new COUPON sheets for the above-mentioned Loan will be available on and after 17th January 1980 in exchange for TALONS. Listing forms for talons are obtainable from the Chief Accountant's Office (Bank Buildings), Bank of England, 2 Bank Buildings, Princes Street, London, EC2R 8EU and talons should be presented there for exchange from the 10th January 1980. Talons should not be sent through the post.

CANADIAN AND FOREIGN SECURITIES CO. LIMITED

THE ROYAL BANK OF CANADA (LONDON) LIMITED HAVE RECEIVED THE FOLLOWING CABLE FROM THE COMPANY:
The Directors of Canadian and Foreign Securities Co. Ltd. today declared a dividend of One Dollar and Twenty cents and extra dividend of Two Dollars and Ten cents on ordinary stock payable December Twenty-eighth to shareholders of record November Twenty-third 1979.
107, Cheapside,
London, EC2V 6DT.
20th November, 1979.

GADEK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the half yearly interest of 10 per centum per annum will be paid on 31st December, 1979 to Debenture holders on the register of members at the close of business on 21st December, 1979.
By Order of the Board,
OH KIM SUN,
MAK HING KWAI,
Secretaries.
Ladang Pinji,
Lahat, Perak,
Malaysia.
26th November, 1979.

CONFERENCE HOTELS

EXECUTIVE SUITES OF MAYFAIR
Visiting London on business or pleasure? Why not stay at our quiet, exclusive guest house at 18 Charles Street, Mayfair or at one of our tastefully furnished serviced apartments in nearby Park Street, consisting of two bedrooms, lounge, kitchen and bathroom, colour TV, etc., within walking distance of Park Lane, Piccadilly, Bond Street, and Grosvenor Square.
For full details and bookings telephone us on
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TRAVEL

GENEVA, Basle, Zurich and Berne, widest range of cheap flights from 4 U.K. airports. Brochure FALCON, 01-351 2191. Telex 919087.

EXHIBITIONS

THE SOMERSET HOUSE ART TREASURES EXHIBITION, Somerset House, Strand, London, WC2 1LP. 22 November to 9 December. Weekdays 10.00 am-7.00 pm. Sundays 12 noon-6.00 pm. Admission £2.50, including illustrated handbook.

MOTOR CARS

WADHAM STRINGER

ROLLS-ROYCE

Official Distributors for Rolls-Royce and Bentley.

CHICHESTER
Westhampnett Road, Chichester. Tel. 81331

1977 Rolls-Royce Silver Shadow II. Cardinal Red with Cream hide. A rather splendid motor car. 'S' registration. £34,950

BOURNEMOUTH
573 Wallisdown Road, Poole. Tel. Bournemouth 519191

1975 Rolls-Royce Corniche. Athenian Blue with Pale Blue Everflex roof, Beige hide interior trim. One owner, 21,000 miles recorded £32,500

Other Quality Cars

CHICHESTER
Westhampnett Road, Chichester. Tel. 81331

1976 Jaguar 4.2 Auto. Lavender/Biscuit leather. Chrome wheels. £5,695
1978 Daimler Sovereign 4.2. Juniper Green. 'S' registration. £8,995
1979 Jaguar 5.3 Auto. British Racing Green. 'T' registration. £11,230
1978 Princess Special Six Auto. Black. Sunroof, tints, PAS. £3,595
1975 Rover 2200 TC. Red/Black cloth interior. 'P' registration. £2,495
1976 Rover 2200 SC. Yellow/Black leather interior. Radio. £2,850
1977 Ford Cortina 2000 Ghia Estate. White, Black vinyl roof and interior. Headlamp wash/wipe, radio, etc. £3,895
1977 Vanden Plas 1500 Auto. Russet Brown/Beige. Tinted glass. Traditional craftsmanship for £2,995

WADHAM STRINGER

CONTRACT HIRE and LEASING
50 YEARS EXPERIENCE IN MOTOR TRADE
ANY MAKE OF VEHICLE SUPPLIED
HARTWELLS GROUP (CONTRACTS) LTD
14 PARK END, OXFORD Tel: (0865) 721421

CITROEN IN THE CITY

For a full comprehensive range of new Citroen cars, including the GSX3, call
01-377 8811
The Cooper Car Company
20 Paul Street, London EC2
Sales - Service - Parts

BUILDING SOCIETY RATES

Every Saturday the Financial Times publishes a table giving details of Building Society Rates on offer to the public

For further details please ring
01-248 8000 Extn. 266

مكتبة الأهرام

INTL. COMPANIES and FINANCE

Hudson's Bay lifts profits for nine months by 88%

BY OUR FINANCIAL STAFF

HUDSON'S BAY Company raised its operating net profit for the first nine months of its financial year by 88 per cent to C$22m, or 59 cents a share, from C$11.7, or 78 cents, in the nine months to October 31, 1978.

This excludes extraordinary gains of $13.6m, compared with $3.6m. The net profits of $35.6m were equivalent to $1.18 a share, compared with $15.3m, equivalent to $1.01.

Sales broadly doubled to $2.31bn from $1.15bn.

The year-ago sales included Zeller's for one month only, and did not include Simpsons Ltd. Had Zeller's and Simpsons been included in full for the first nine months of the previous year, the sales for the first nine months of this year would have shown a rise of 11.8 per cent.

The special gain for the first nine months of this year was derived mainly from the partial exchange of 6 per cent debentures. The preferred dividend provision was $8.3m, against a nil provision a year earlier.

Last year, Hudson's Bay won a battle for Simpsons, and with it a major interest in the fellow stores concern, Simpsons-Sears, the associate of Sears Roebuck of the U.S. Simpson-Sears has announced a rise in nine months' profits to C$30.67m, or 40 cents a share, from $26.62m, or 35 cents, on sales of $1.8bn, up 7.9 per cent.

Record sales for Massey-Ferguson

TORONTO—Massey-Ferguson expects its sales in the year to October 31 to have reached US$3.17bn, or 8.2 per cent more than the previous year's $2.93m, according to preliminary estimates.

The company's sales in the fourth quarter — traditionally the strongest in the farm machinery business—are put at $1.04bn, the highest for any quarter in the company's history.

Sales are accounted for on a final sale-to-customer, or settlement basis, rather than the commonly used wholesale or sale-to-dealer basis, the company points out. On a wholesale basis sales for the year are placed at $3.26bn, up from $2.88bn in 1977-78.

There appeared to be no reason, the company said, to change the forecast made earlier that Massey would reach an *operating break-even position* in its financial results for the year before exchange and unusual items. Final figures would be released around mid-December.

Massey added that its previously reported plans for a preferred share issue designed to raise between $300m and $500m were still being studied.
AP-DJ

Stewarts and Lloyds SA ahead

BY JIM JONES IN JOHANNESBURG

THE South African diversified steel and engineering group, Stewarts and Lloyds, increased its pre-tax income by 36.7 per cent to R12.09m ($14.6m) in the year to September 30 from R8.84m in 1977-78, on a 23.8 per cent rise in turnover to R282m ($340m), from R227.8m.

But although Johannesburg analysts regard this as a good performance, year-to-year figures are not strictly comparable. The company has introduced the LIFO (last-in-first-out) stock accounting principle. Had the previously used FIFO (first-in-first-out) method been maintained a 111 per cent pre-tax income advance to R18.66m would have been reported.

At the taxed attributable level, earnings rose 22.8 per cent to R7.71m, from R6.28m, with the *new accounting method* reducing reported earnings by R3.82m.

The directors are confident of further growth this year as South Africa's capital spending gains momentum. But they warn that during the current year earnings are expected to improve at a slower rate than in the year just ended.

On earnings per share of 33.8 cents, compared with 27.6 cents, a dividend of 22 cents has been declared, against 17 cents, putting the share on a 6.4 per cent yield at its current Johannesburg price of 345 cents.

British Steel Corporation has a 21 per cent direct stake in Stewarts and Lloyds and an indirect stake through its 35 per cent holding in International Pipe and Steel Investments South Africa (IPSA), which itself has a 52 per cent controlling shareholding in the company.

Capital spending upturn boosts Dorbyl

BY OUR JOHANNESBURG CORRESPONDENT

DORBYL, the South African heavy engineering group, has benefited from the country's capital spending upturn, and further growth is expected during the current 12 months. During the year to September 30, pre-tax profit advanced by 8.9 per cent, from R17.1m to R18.7m ($22.5m).

The board expects improved earnings during the current fiscal period, on the basis of the going economic outlook.

Following the acquisition of its competitor, Irvine Chapman, Dorbyl has improved its position in the structural steel sector, and stands to benefit from any increased spending on electrical power generation. Recently, ESCOM, the national electricity supplier, announced spending plans for R18bn over the next decade.

Not all of Dorbyl's operating subsidiaries can expect strong near-term demand growth. The shipbuilding and repair operations have been depressed, with less sea traffic passing The Cape, while South African Railways continues to be well supplied with railway wagons and carriages. However, with the railways' increasing emphasis on electrical traction, and similar moves by the mining industry, a steady advance in locomotive construction is looked for.

In the fiscal year to September 1978, Dorbyl's earnings per share fell by 33 per cent to 118.9 cents and the dividend was unchanged at 55 cents. In 1978-79, earnings advanced to 154.9 cents and a 62 cents dividend was paid. In Johannesburg Dorbyl shares are currently quoted at 1,025 cents.

OUB loan for Tang project

By Georgie Lee in Singapore

THE Overseas Union Bank (OUB) is to lend Tang Choon Keng Realty (Private) Ltd. S$ 60m *(U.S.$ 27.4m) for* developing a 30-storey hotel-cum-shopping complex. She construction cost is estimated at S$ 80m.

The building will be known as House of Tang and will have a *luxurious hotel*, dynasty hotel, as well as the major department store, C. K. Tang. Tang Choon Keng Realty is a major shareholder of C. K. Tang, which is listed on the Stock Exchange of Singapore.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year
*Airfix Inds.	Dec. 3	Int. 1.3719
Armitage Shanks	Dec. 5	Int. 2.01
Associated Cmmnctns.	Dec. 14	Int. 3.1
*Associated Engineering	Dec. 13	Final 3.82
*Assoc. Dairies	Jan. 30	Int. due
*Avon Rubber	Nov. 28	Final 6.357
*Baker Perkins	Dec. 5	Int. 2.1
Bass	Dec. 14	Final 4.3
*BPB Inds.	Nov. 28	Int. 4.2
Borthwick (T.)	Dec. 12	Final 3.8
BOC Int.	Dec. 20	Final 1.851
*Brown (Matthew)	Nov. 28	Final 3.28
CompAir	Dec. 13	Final 2.387
Crown Hse.	Dec. 18	Sec. int. 1.58
Daily Mail & Gen. Tst.	Nov. 29	Int. 4.9
*Dawson Int.	Nov. 28	Int. 3
Distillers	Dec. 14	Int. 3.0
Dobson Park Inds.	Dec. 12	Final 2.5
*Farrand	Dec. 19	Int. 1.917
Gen. Electric	Dec. 7	Int. 2.25
*Gold Fields of SA Group	Dec. 11	Int. due
GUS	Dec. 7	Int. 4.029
Guinness (A.)	Dec. 15	Final 5.22
Guthrie	Dec. 13	Int. 8.0
*Hanson Trust	Dec. 5	Final 4.01
Hays Wharf	Nov. 23	Final 4.63¶
Hoffnung (S.)	Dec. 28	Int. 1.485
Hornfray	Dec. 21	Final 1.8125
ICL	Dec. 14	Final 5.431
Initial Services	Dec. 15	Int. 1.5
Intl. Timber	Dec. 5	Int. 4.286
*Johnson Matthey	Nov. 28	Int. 6.5
K Shoes	Dec. 8	Final 3.0
LRC Intl.	Dec. 13	Int. 0.698
Lindustries	Dec. 21	Int. 3.3
*Lloyds and Scottish	Dec. 13	Final 2.706
Lond. Mrchnt. Secs.	Dec. 13	Int. 0.335
*MEPC	Dec. 18	Final 2.328
Marley	Dec. 14	Final 1.781
*Meyer (Mntgue. L.)	Dec. 11	Int. 2.0
Mitchell Cotts	Dec. 7	Final 2.8
*NatWest	Feb. 28	Final 7.15
Norcros	Dec. 15	Int. 1.75
Northern Foods	Dec. 19	Final 2.25
*Pegler-Hattersley	Dec. 5	Int. 3.55
*Pilkington Bros.	Dec. 5	Int. 3.3
*Prop. Hldg. Inv. Tst.	Dec. 18	Int. 3.0
*Racal Electronics	Dec. 6	Int. 1.9
*RHM	Dec. 4	Final 1.968
*RHP	Dec. 10	Final 2.85
*Royal Bk. of Scotland	Nov. 29	Final 1.565
Scot. & Nwcstl. Brews.	Dec. 20	Int. 1.45
600 Group	Nov. 30	Int. 2.035
Selection Tst.	Nov. 16	Sec. int. 5.0
*Serck	Dec. 11	Final 4.334
Sotheby Parke Bernet	Dec. 18	Final 6
Steetley	Dec. 14	Final 2.7
*Tunnel	Nov. 29	Int. 4.0
UKO Int.	Nov. 30	Int. 3.2
*Utd. Gas Ind.	Dec. 13	Int. 1.105
*Vaux Brews.	Dec. 13	Final 3.54
Ward and Goldstone	Dec. 12	Int. 0.9
Whitecroft	Dec. 11	Int. 2.5
Wilkinson Match	Dec. 14	Int. 4.223
*Wlvrhmptn. & Dudley Brws.	Dec. 4	Final 4.56
*Woodhead (Jonas)	Dec. 7	Int. 1.371

* Board meeting intimated. † Rights issue since made. ‡ Tax free § Scrip issue since made. ¶ Forecast.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Barnsley (0226 203232)	14	½-year	250	3
Bradford (0274 29577)	12¼	½-year	500	2
Redbridge (01-478 3020)	13½	½-year	200	2-3
Wrekin (0952 505051)	16	maturity	5,000	1-2mths.

CORAL INDEX: Close 403-408 (—5)

INSURANCE BASE RATES

† Property Growth 13¾%
† Vanbrugh Guaranteed 14¼%
† Address shown under Insurance and Property Table.

INSURANCE BASE RATES

A.B.N. Bank	17 %	■ Hambros Bank	17 %
Allied Irish Bank	17 %	■ Hill Samuel	§17 %
Amro Bank	17 %	C. Hoare & Co.	†17 %
American Express Bk.	17 %	Julian S. Hodge	18 %
A P Bank Ltd.	17 %	Hongkong & Shanghai	17 %
Henry Ansbacher	17 %	Industrial Bk. of Scot.	14½%
■ Arbuthnot Latham	17 %	Keyser Ullmann	17 %
Associates Cap. Corp.	17 %	Knowsley & Co. Ltd.	18½%
Banco de Bilbao	17 %	Lloyds Bank	17 %
Bank of Credit & Cmce.	17 %	London Mercantile	17 %
Bank of Cyprus	17 %	Edward Manson & Co.	18 %
Bank of N.S.W.	17 %	Midland Bank	17 %
Banque Belge Ltd.	17 %	■ Samuel Montagu	17 %
Banque du Rhone et de la Tamise S.A.	17½%	■ Morgan Grenfell	17 %
Barclays Bank	17 %	National Westminster	17 %
Bremar Holdings Ltd.	18 %	Norwich General Trust	17 %
Brit. Bank of Mid. East	17 %	P. S. Refson & Co.	17 %
■ Brown Shipley	17 %	Rossminster	17 %
Canada Perm't Trust	17 %	Ryl. Bk. Canada (Ldn.)	17 %
Cayzer Ltd.	17 %	Schlesinger Limited	17 %
Cedar Holdings	17 %	E. S. Schwab	17 %
■ Charterhouse Japhet	17 %	Security Trust Co. Ltd.	18 %
Choulartons	17 %	Shenley Trust	19 %
C. E. Coates	17 %	Standard Chartered	17 %
Consolidated Credits	17 %	Trade Dev. Bank	17 %
Co-operative Bank	*17 %	Trustee Savings Bank	17 %
Corinthian Secs.	17 %	Twentieth Century Bk.	18 %
The Cyprus Popular Bk.	17 %	United Bank of Kuwait	17 %
Duncan Lawrie	17 %	Whiteaway Laidlaw	17½%
Eagil Trust	17 %	Williams & Glyn's	17 %
E. T. Trust Limited	17 %	Yorkshire Bank	17 %
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		
Robert Fraser	18 %		
■ Antony Gibbs	17 %		
Greyhound Guaranty	17 %		
Grindlays Bank	‡17 %		
■ Guinness Mahon	17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%, 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

CURRENCIES, MONEY and GOLD

EMS under scrutiny

BY COLIN MILLHAM

The European Monetary System was the subject of some discussion last week, although events in the Middle East and the effect on the dollar tended to obscure all else as far as the foreign exchange market was concerned.

Sir Geoffrey Howe, Chancellor of the Exchequer, speaking in Brussels, indicated that a decision on British membership was unlikely to emerge from this week's European Summit in Dublin.

Netherlands central bank director Mr. Andre Szasz spoke last week of the problems faced by some members because of *Germany's strict monetary* policy. He called for greater policy coordination by the countries forming the EMS if the original aims are to be realised. Mr. Szasz directed many of his comments towards the Benelux countries, where the Dutch guilder and Belgian franc have consistently been the weakest members of late.

The present workings of the system were under no heavy strain last week, although a gap has opened between the five *strongest currencies and* the two weakest. The D-mark is not yet as strong as when it was revalued at the end of September, *but remains a potential* danger to the continued smooth working of the EMS.

Last week the German currency moved ahead of the Italian lira for the first time since the system began, although the Italian currency showed signs of improvement by Thursday in anticipation of a rise in the Bank of Italy discount rate.

The French authorities must gain comfort from the francs strong performance in recent weeks, while the renewed *strength of the Danish krone* makes it unlikely that the Scandinavian currency will be devalued again at the forthcoming *review of the EMS.*

European interest rates remained firm, with Paris call money touching 12¼ per cent, equal to its five year peak, while Amsterdam rates rose sharply. The Bank of Sweden—who's currency is not a member of the EMS—raised its discount rate by 1 per cent to 9 per cent, possibly encouraged by the increase in Bank of England Minimum Lending Rate on November 15.

In New York on Friday prime rates were unchanged at 15¾ per cent, with Federal funds at 12-12¼ per cent; and 13-week Treasury bills at 11.65 per cent and 26-week at 11.62 per cent.

GOLD

	November 23		November 22	
Gold Bullion (fine ounce)				
Close	$392-393	(£181-182)	$392½-393	(£180¾-181¼)
Opening	$392-393	(£181-181½)	$393½-394½	(£181-181½)
Morning fixing	$390.15	(£180.792)	$394.85	(£181.816)
Afternoon fixing	$392.00	(£181.366)	$393.15	(£181.175)
Gold Coins				
Krugerrand	$404½-405½	(£187-187¾)	$404¼-406¼	(£186-187)
Maple leaf	$404-406	(£187-192)	$405-409	(£186-188)
New Sovereigns	$101-103	(£46¾-47¾)	$101½-103¼	(£46¾-47¾)
King Sovs.	$110-112	(£51-53)	$110-112	(£50¼-51¾)
Victoria Sovs.	$112-114	(£52-54)	$111-113	(£51-53)
Fr 20 Napoleon	$400-410	(£Fr161-163)	$Fr407-412	(£Fr162-164)
50 pesos Mexico	$486-492		$490-492	
100 Cor. Austria	$381-384		$386-388	
$20 Eagles	$497-501		$497-502	
$10 Eagles	$257-273		$258-273	
$5 Eagles	$221-241		$222-242	

OTHER MARKETS

Nov. 23	£	$		£ Note Rates
Argentina Peso	3357-3377	1550-1560	Austria	27.30-27.60
Australia Dollar	1.9785-1.9825	0.9135-0.9165	Belgium	62.40-63.00
Brazil Cruzeiro	68.50-69.50	31.65-32.15	Denmark	11.20-11.26
Finland Markka	8.12-8.13	3.7650-3.7670	France	8.90-8.97
Greek Drachma	81.115-83.058	37.35-37.50	Germany	3.80-3.83
Hong Kong Dollar	10.79½-10.88¾	5.0000-5.0100	Italy	1760-1820
Iran Rial	n/a	n/a	Japan	526-541
Kuwait Dinar (KD)	0.595-0.605	0.2765-0.2785	Netherlands	4.23-4.26
Luxembourg Frc.	61.75-61.85	28.57-28.59	Norway	10.82-10.90
Malaysia Dollar	4.7840-4.7880	2.1920-2.1930	Portugal	100-114
New Zealand Dlr.	2.2210-2.2270	1.0275-1.0310	Spain	142½-151
Saudi Arab. Riyal	7.21-7.31	3.3700-3.3707	Switzerland	3.55½-3.58½
Singapore Dollar	4.7110-4.7120	2.1875-2.1885	United States	2.15½-2.167
Sth. African Rand	1.7865-1.7925	0.8280-0.8295	Yugoslavia	45½-47

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

Nov. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1530-2.1680	2.1620-2.1630	0.56-0.46c pm	2.77	1.17-1.07 pm	2.07
Ireland†	2.0850-2.1000	2.0950-2.1000	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Nov. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1530-2.1680	2.1620-2.1630	0.56-0.46c pm	2.77	1.17-1.07 pm	2.07
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 62.70-62.80. Six-month forward dollar 2.19-2.13c pm, 12-month 4.45-4.25c pm.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 13.15-13.25 per cent; three months 14.20-14.30 per cent; six months 14.20-14.30 per cent; one year 13.10-13.20 per cent.

Nov. 23	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	15¼-16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollar two years 12¾-13 per cent; three years 12¾-12¾ per cent; four years 12¾-12¾ per cent; five years 12-12¾ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

LONDON MONEY RATES

Nov. 23 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	14-18	—	—	—	—	16-16½	—	—	—
2 days notice	—	[illegible]	[illegible]	—	—	—	—	—	—	—
7 days or	—	[illegible]	[illegible]	—	—	—	—	—	—	—
7 days notice	—	[illegible]	[illegible]	—	—	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—

Local authority and finance houses seven days notice, others seven days fixed. [illegible]

CURRENCY RATES

Nov. 23	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.600548	0.651935
U.S. $	12	1.29717	1.40818
Canadian $	11	1.53386	1.65678
Austria Sch.	5¾	16.6466	17.8686
Belgian F.	[illegible]	[illegible]	[illegible]
Danish K.	11	[illegible]	[illegible]
D Mark	6	[illegible]	[illegible]
Guilder	9	[illegible]	[illegible]
French Fr.	9½	[illegible]	[illegible]
Lira	12	[illegible]	[illegible]
Yen	6¼	[illegible]	[illegible]
Norwgn. Kr.	7	6.51888	7.06139

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	B.P. 'New'	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Gonder Intl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Link House 20p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Rosehaugh 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sasol R1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Stewart Nairn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Vitatron N.V. Fl.0.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bristol Waterworks 8% Red. Pref. 1984	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cambridge Water 8% Red. Pref. 1984	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hill Samuel Floating Rate Notes 1992	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Link House [illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mucklow A. & J. [illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Standard Market Trust Part. Red. Pref.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Wintrust [illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	BH Proprietary	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cope Sportswear	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Duncan (Walter) & Goodricke	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Francis Inds.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hadock Johnsen	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Kullim	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Laporte Inds.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	M. Y. Dart	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Newman Tonks	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	North Kalgurli	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

هكذا من الأصل

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Five to Fifteen Years

Over Fifteen Years

Undated

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[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

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[illegible]

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[illegible]

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CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

—	Messina R0.50	104	12.77	—	—	—

MISCELLANEOUS

—		Barymin	62	—	—	—	—
—		Burma Mines 17½p	12½	575	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	312	27	Q30c	—	5.5
—		Northgate C$1	320	30.9	—	—	—
Jan.	July	R.T.Z.	305	5.11	†11.5	3.4	5.4
—		Robert Mines	13	—	—	—	—
—		Sabina Inds. C$1	32	—	—	—	—
—		Tara Expln. $1	480	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distributions and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- †† Unlisted security.
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ◆ Merger bid or reorganisation in progress.
- ✣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

"Recent Issues" and "Rights" Page 36

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	27	......
Bertam	16	......
Bdg'wtr. Est. 50p	365	—5
Clover Croft	30	......
Craig & Rose £1	£10½	......
Dyson (R. A.) A	23	......
Fife Forge	48	......
Finlay Pkg. 5p	19	......
Graig Ship. £1	600	......
Higsons Brew	65	+2
Holt (Jos) 25p	259	......
I.O.M. Stm. £1	150	......
Pearce (C. H.)	358xd	......
Peel Mills	29	......
Sheff. Refrshmt	100	......
Sindall (Wm.)	165	......

IRISH

Conv. 9% '80/82	£85½	......
Nat. 9¾% 84/89	£77⅝	+4½
Fin. 13% 97/02	£80½	—½
Alliance Gas	62	......
Arnott	340xd	......
Carroll (P. J.)	53	......
Clondalkin	82	......
Concrete Prods.	80	......
Helton (Hldgs.)	35	......
Ins. Corp.	145	......
Irish Ropes	70	......
Jacob	95	......
T.M.G.	138	+3
Unidare	65	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	8	I.C.I.	20	Tube Invest.	27
BOC Intl.	6	"Imps"	8	Unilever	40
B.S.R.	5	I.C.L.	45	U.D.T.	4
Babcock	12	Inveresk	5	Utd. Drapery	10
Barclays Bank	30	KCA	3½	Vickers	18
Beecham	13	Ladbroke	17	Woolworths	6½
Blue Circle	25	Legal & Gen.	14		

[illegible]

FINANCIAL TIMES

Monday November 26 1979

Changes coming at Treasury top level

BY PETER RIDDELL

A BIG reshuffle will take place inside the Treasury over the next few months, affecting nearly half the top dozen civil servants.

The changes, at the heart of the economic policy machine, will involve promoting key officials now in their 40s who *will run the department during the 1980s.*

They result from retirements and transfers in Whitehall and have nothing to do with the change of Government last May. *They may be implemented in stages.*

The opportunity may be taken for a review by ministers and officials of the main structural reorganisation of the department that took place in the mid-1970s. Some limited modifications are possible.

The key vacancy is at Second Permanent Secretary level, after the departure of Sir Lawrence Airey, who has been in charge of the domestic economy sector and is to become chairman of the Board of Inland Revenue.

The most widely mentioned internal candidates to fill the post are Mr. Bill Ryrie, aged 51, who will shortly return from four years as the senior Treasury representative in Washington, and Mr. Geoffrey Littler, aged 49, responsible for counter-inflation and monetary and fiscal policy.

Responsibilities among Second Permanent Secretaries might alter. Those affected are the four senior officials immediately below Sir Douglas Wass, the Permanent Secretary, who has three years to serve before the normal retirement age of 60.

The post of Chief Economic Adviser has been filled by Professor Terry Burns, of the London Business School, who will take over from Sir Fred Atkinson *in January.*

The choice of Sir Lawrence Airey's successor, two senior retirements in the first half of next year, and the posting of Mr. John Anson to Washington will create several vacancies at deputy secretary level.

It is here that the most intriguing appointments might be made, since some of the Treasury's *high-flying* under-secretaries in their early and mid 40s will probably be promoted. Close observers of the department, including politicians, believe that that layer contains many of the ablest Treasury officials.

Transfers from elsewhere in Whitehall are also possible. Mr. Gordon Downey, a deputy secretary with a Treasury background who is number two in the Central Policy Review Staff, might return.

Among Treasury officials, those most often tipped for early promotion are Mr. Robin Butler, on the general expenditure planning side, and Mr. Brian Unwin, responsible for the central unit and the co-ordination o fpolicy advice and statements.

Other under-secretaries mentioned in the same group include Mr. Peter Middleton and Mr. Michael Bridgeman on the monetary side, Mr. David Hancock, involved in sterling policy, and Mr. Nick Monck, responsible for nationalised industries.

Unions likely to make BL dispute official

BY PHILIP BASSETT, LABOUR STAFF

THE TWO major unions in BL are expected to make official the dispute over the company's decision to dismiss Mr. Derek Robinson, the Longbridge convenor.

The Amalgamated Union of Engineering Workers is likely at present to confine its authorisation *to the Longbridge plant.*

The decisions by the AUEW and the Transport and General Workers' Union, which are likely to be announced tomorrow, will set both unions *on course for a confrontation* with Sir Michael Edwardes, BL chairman. Edwardes is understood to be prepared to resign rather than see Mr. Robinson reinstated.

Mr. Terry Duffy, general secretary of the AUEW, of which Mr. Robinson is a member, will today meet Mr. Moss Evans, TGWU general secretary, to discuss the dispute after a meeting *of the TUC's finance and* general purposes committee.

Mr. Pat Lowry, L personnel director, and other company officials, will be *ready* for a meeting if it is requested. Mr. Len Murray, TUC general secretary, will also be available.

Sir Michael Edwardes is unlikely to make any personal intervention until the dispute is declared official.

After the recommendation of the TGWU's West Midlands regional finance and general purposes committee that the strikes *should be declared official,* Mr. Evans is ready to make his union's announcement. For the sake of protocol, he is likely to delay until tomorrow to coincide with the expected announcement from the AUEW executive.

Mr. Duffy siad yesterday he believed the executive would make official the strike at Longbridge, where workers walked *out a week ago after* Mr. Robinson's dismissal.

So far the AUEW has only received a call to do so from its Birmingham and West district committee. Requests from other committees are likely to be treated sympathetically, which means tht AUEW official action could match local Midlands TGWU determination to widen the *action for the greatest possible* effect.

Both unions and the company will closely monitor how many workers turn up at the car plants today to gauge the strength of support. While the unions recognise that the hiatus in the dispute over the weekend might have led to a lessening of support, they are determined to view the sacking as a matter of principle.

It is understood that Sir Michael Edwardes is, if necessary, prepared to resign his chairmanship of the company rather than concede reinstatement of Mr. Robinson. He and other directors who would be likely to follow suit feel that reinstatement would destroy their credibility on the shop-floor and their effective ability to manage.

Such resignations would jeopardise the *likelihood* of further financial aid for the company from the Government. If the company felt there was a wide-spread lack of support for the rescue plan shown in the industrial action over *Mr. Robinson's* dismissal, the Board might well call back its request for further cash aid for new model development.

Though Sir Michael is officially respecting the company's devolved structure and is considering the dispute a matter for Austin-Morris, BL officials were taking a determined line yesterday. They insisted that the company was not prepared to back down, in spite of the strikes so far and the imminence of the announcements from the two unions.

Airlines consider fuel-linked fares plan

By Michael Donne in Manila

THE WORLD'S airlines are studying a plan that will enable them to raise fares automatically whenever fuel price rises exceed a certain level.

Details of the scheme are being worked out by the International Air Transport Association, comprising more than 100 airlines. It is expected to be discussed at the association's annual meeting opening in Manila tomorrow.

The airlines want such a scheme because of the time lag between fuel price rises and Government approvals for compensating fare increases.

Fuel price rises take place immediately but the existing machinery for obtaining fare rises from reluctant Governments is cumbersome. The process takes weeks, if not months, in which time the airlines *lose considerable sums.*

One estimate is that, in such circumstances, the world's airlines collectively lose up to \$30m a week. It is also estimated that delays this year in winning compensating fare rises have resulted in a cumulative revenue shortfall of more than \$1bn.

The airlines argue that this year fares have risen by between 20-25 per cent, but fuel prices have risen by 60 per cent. Further fuel price rises are in the pipeline.

The idea under consideration is that whenever fuel prices reach certain specified levels in relation to total operating costs, fares could be raised automatically.

The fares rise would be carefully set, ensuring that it compensated only for the particular fuel price rise involved in each airline, and that the scheme was not used by unscrupulous airlines to compensate for other cost increases.

Such a plan would require the approval of all the governments concerned at the outset. The *blanket approval* might be difficult to obtain in view of most governments' reluctance to sancton fare rises.

But the airlines argue that unless a scheme is introduced soon, they will "slowly bleed to death."

THE LEX COLUMN

Profits in the recession

No doubt Ford is able to bear the cost of a $21\frac{1}{2}$ per cent pay deal. But the settlement is bound to send another shiver through the company sector. It comes at a time when a batch of economic forecasts is emphasising the coming pressure on manufacturing industry.

The Treasury's forecasting document last week, for instance, suggested that companies would soon have to respond to the financial squeeze by cutting back on fixed investment and by running down stocks on a large scale. The latest figures for the third quarter of 1979 show stocks continuing to rise—but the Treasury expects destocking in 1980 to the tune of 2 per cent of gross domestic product (something like £4bn in money terms).

Opinion varies substantially on how much of the financial pressure can be absorbed in this way. The new forecast from the London Business School suggests a much more modest degree of destocking, though its profit projections are gloomy.

Gross trading profits of the company sector are estimated to fall by 6 per cent between 1979 and 1980; take out stock appreciation and North Sea profits and the drop worsens to 27 per cent, with no real recovery before 1982. On the latter definition, profits will only hold a 4 per cent share in national income by 1981, against 8 per cent in 1978.

For industry as a whole this would represent a worse outcome even than that of 1974 and 1975. But the pattern will be rather different to that seen in the last recession, when there was a squeeze on consumer spending. Both the Treasury and the LBS expect that consumers' expenditure will continue to rise during 1980—albeit slowly—and with pay settlements on the current scale it certainly looks plausible.

Without a Price Commission, suppliers of consumer goods to protected domestic sectors will be able to pass on costs into a reasonably steady market. But it looks as though manufacturing industry exposed to international competition is heading into a lot of trouble.

Gotaas Larsen

On Wednesday shareholders in IU International, a U.S. utility, will vote on the planned spin-off of their major shipping subsidiary—Gotaas Larsen. If they approve the deal and everything else goes according to plan, Gotaas Larsen shares could well have a full listing on the London Stock Exchange within the next six months.

The deal is unique and is already causing considerable interest here in London. Gotaas Larsen lost \$37.4m last year and is probably doing no more than breaking even in the current year. It is highly geared, has substantial unfunded capital commitments and does not plan to pay a dividend for several years. Nevertheless, in the words of Hambros Bank, one of IU's advisers, there appear to be a number of international equity investors that are attracted by the "speculative capital gains potential inherent in an asset orientated business currently emerging from a historical depression."

By spinning off the shipping company, IU International hopes to improve its own share rating. Under the deal every IU investor will receive one Gotaas Larsen share for every three IU shares. It is initially intended that the shares will be traded on the over-the-counter market in New York.

The assumption is that many of the Gotaas Larsen shares will be dumped by the small U.S. investors since they do not understand volatile shipping companies. If this happens many of the shares seem destined to move across the Atlantic to London. IU has gone to great lengths, however, to ensure th[...] Gotaas Larsen is not picked o[...] by an unwanted takeover bidde[...]

On the latest balance sheet information the net asset val[...] of Gotaas Larsen shares is \$2[...] per share but it is certain th[...] they will trade at a substanti[...] discount. At the moment est[...] mates of the opening price o[...] the new Gotaas Larsen shar[...] range between \$3 and \$12.

Lucas Industries

A year ago the inflati[...] accounting statement of Luc[...] Industries, carried somewhe[...] near the back of the annu[...] report, incorporated the follo[...] ing reassuring sentence: "T[...] inflation-adjusted profit wou[...] provide a cover of 2.5 times t[...] this year's dividend after char[...] ing this years tax. This th[...] an otherwise identically la[...] out statement makes no su[...] claim.

A quick calculation reve[...] the reason for Lucas's reticen[...] —the 1978-79 dividend which covered nearly five times historical cost earnings covered only about 0.9 times [...] an inflation adjusted basis.

Plainly the board of Lucas h[...] not been greatly concerned [...] these current cost calculatio[...] for it has just raised the [...] payout by a fifth. It is, of cour[...] a very strong company, w[...] debt representing only abo[...] 13 per cent of capital employ[...] while there is a big contribut[...] investment in R and D (w[...] £45m last year) which does [...] figure in the accounts at a[...] In fact Lucas hardly ne[...] any more cash last year [...] spending on fixed assets wa[...] more than replacement c[...] depreciation, while stocks [...] only 6 per cent in money te[...] Lucas is strong enough [...] template a probably m[...] ger cash requirement th[...] large manufacturing co[...] are so fortunate.

Britain keeps EEC peace to smooth Dublin talks

BY MARGARET VAN HATTEM IN BRUSSELS

BRITAIN HELPED ensure defeat for the European Parliament's first attack on the power of the Council of Ministers at the weekend in a conciliatory gesture before this week's EEC summit in Dublin.

In voting against the Parliament's proposed amendments to the 1980 *Community Budget* on Saturday Britain broke off its long but tenuous alliance with Italy which, like the UK, is seeking a better deal from its EEC partners.

The support of these two countries combined would have been sufficient to uphold the Parliament's amendments, aimed essentially at cutting spending on the dairy surplus and boosting spending in the Community's poorer regions.

The Anglo-Italian alliance was based on common interests and a belief that the key to a better deal from the *EEC lay in cutting* spending on farm surpluses, from which they receive relatively little, and boosting regional spending, of which they together receive around two-thirds.

But the Parliament amendments, although in line with this strategy, were too small to have more than a symbolic effect and were intended mainly to establish Parliament's right to interfere.

Although some smaller EEC countries might be happy to see the Parliament challenge the Council, which is dominated by larger countries, the French and West Germans are determined to stamp out such attempts.

Britain is more interested in a short-term solution to its problem and has staked enormous political capital on winning a sizeable cut to its net budgetary contribution in Dublin this week. But even a limited success in Dublin depends heavily on French and *German* goodwill, and the UK Government was evidently not prepared to rock the boat in support of the Parliament or the Italians.

The Budget Ministers rejected outright the Parliament's attempt to cut spending on the dairy surplus by 280m units of account. Only the Netherlands and Italy supported the Parliament and their support was not enough.

The Council did not wholly reject Parliament's attempt to restore regional spending to the 1.2bn units of account proposed by the Commission from the 850m agreed by the Council earlier this year; they agreed on a regional fund of 1.015bn units of account.

The Council issued a declaration to the Parliament expressing sympathy for the measures it had just rejected. Whether this will appease Parliament is doubtful. There is speculation that Parliament may retaliate by further delaying the 1979 supplementary budget, for which its approval is needed before the Community can release farm support funds to near-penniless agents in Ireland and Germany.

Schmidt affirms NATO stand

BY ROBERT GRAHAM IN MADRID

THE West German Government is determined to go ahead with arms control negotiations with Moscow in spite of a high-level Soviet warning that NATO plans for the production and deployment of new medium-range missiles would destroy the basis for future talks.

Both Chancellor Helmut Schmidt of West Germany and Herr Hans-Dietrich Genscher, his foreign minister, stressed in interviews at the weekend that a formal offer of negotiations on NATO and Warsaw Pact medium range weaponry would be made as soon as NATO decided in December to build and integrate a new generation of theatre nuclear forces in Europe.

Herr Schmidt said that such non-nuclear NATO countries as Holland, Belgium and Italy were now prepared to approve the production of the new weapons, *many of which would be* based on German soil—albeit under U.S. operation control.

The West German leadership clearly felt obliged to reaffirm its commitment to NATO modernisation and to negotiations because of tough statements issued by Mr. Andrei Gromyko, the Soviet Foreign Minister, in Bonn on Friday night.

Mr. Gromyko, speaking after three days of talks with Herr Genscher said that the expected NATO move in December would destroy the basis of negotiations on medium-range missiles, would hold up progress at the Vienna force reduction talks and would *have a serious effect on* German-Soviet relations and detente in general.

The negotiations, Mr. Gromyko said, would have to be carried out on the basis of parity *but NATO deployment of 572* new Pershing and Cruise missiles in Europe would create an imbalance in favour of the West.

Talks should be started immediately and the NATO plans should be shelved.

Mr. Gromyko's comments clearly surprised the Bonn government—officials had earlier described the talks as constructive and reasonable—but both Herr Genscher and opposition leaders (including Herr Franz-Josef Strauss, the official opposition contender for the Chancellory next year) believe that Moscow will relent and will come to the negotiating table.

A final communique issued at the weekend talked of the need for continuing high-level contacts between Moscow and Bonn and mentioned that both Chancellor Schmidt and Herr Genscher would visit the Soviet capital next year.

The Gromyko news conference, only his third in 20 years, is being viewed as essentially a tactical manoeuvre.

In the first place it puts pressure on Bonn which is particularly dependent on cordial links with Eastern Europe (if only because of the exposed position of West Berlin).

It has also given added muscle to the left-wing of the Social Democratic Party only a few weeks before the SPD Party Congress.

Herr Erhard Eppler, Baden-Wuerttemberg SPD leader, has already described the NATO plans as a deliberate provocation of the Soviet Union.

The news conference, which lasted *almost two hours,* was also broadcast in its entirety to the Soviet Union.

This suggests that Mr. Gromyko's comments may also have been aimed at *showing* the Soviet people that Moscow retained the initiative in the current East-West dispute on medium-range missiles.

Weather

UK TODAY

CLOUDY; some rain, heavy in N. Mild in S.

London, E. Anglia, Midlands
Occasional rain, bright intervals. Local gales. Max. 12-13C (54-55F).

S.E. and Cent. S. England, Channel Isles, S.W. England, S. Wales
Cloudy, some drizzle. Local gales. Max. 12-13C (54-55F).

E., Cent. N and N.E. England
Cloudy, some rain, occasionally heavy. Local gales. Max. 11-12C (52-54F).

N. Wales, N.W. England, Lakes, I. of Man, S.W. Scotland, Glasgow, N. Ireland
Cloudy, some rain, occasionally heavy. Local gales. Max. 10-11C (50-52F).

Borders, Edinburgh, Dundee
Cloudy, some rain, occasionally heavy. Max. 8-9C (46-48F).

Aberdeen, Cent. Highlands, Argyll
Cloudy, some rain, occasionally heavy, becoming brighter. Max. 6-8C (43-48F).

Moray, N. Scotland, Orkney, Shetland
Sunny periods, wintry showers. Max. 6-7C (43-45F).

Outlook: Mainly dry; some rain in N. and W.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	14	57	Lisbon	S	11	52
Algiers	S	17	63	Locarno	S	6	43
Amsdm.	C	6	43	London	C	9	48
Athens	F	17	63	Los Ang	S	21	69
Bahrain	S	27	81	Luxmbg.	Fg	0	32
Barclna.	S	11	52	Madrid	S	5	41
Beirut	S	24	75	Majorca	S	15	59
Belfast	R	11	52	Malaga	S	16	61
Belgrd.	C	4	39	Malta	S	17	63
Berlin	F	5	41	M'chstr	R	9	48
Biarritz	S	6	43	Melbne.	C	18	64
Bmghm.	R	10	50	Mex. C.	S	22	74
Blackpl.	R	10	50	Milan	Fg	1	34
Bordx.	S	1	34	Mntreal.	R	8	46
Boulgn.	C	6	43	Moscow	C	0	32
Bristol	C	11	52	Munich	C	8	46
Brussels	F	5	41	Naples	S	13	55
Budpst.	C	4	39	Nwcstl.	R	10	50
B. Aires	S	27	81	N. York	C	19	66
Cairo	S	27	81	Nice	S	13	55
Cardiff	C	11	52	Nicosia	S	24	75
Cas'b'ca	S	19	66	Oporto	S	14	57
Chicago	S	4	39	Oslo	F	−3	27
Cologne	F	3	37	Paris	C	5	41
Cpnhgn.	R	5	41	Perth	S	25	77
Corfu	S	19	66	Prague	C	2	36
Dublin	C	13	55	Reykjvk.	S	−5	23
Dbrvnk.	S	16	61	Rhodes	F	18	64
Ednbgh.	R	11	52	Rome	S	12	54
Faro	S	16	61	Salzburg	F	4	39
Florence	S	11	52	Singapr.	R	27	81
Frankft.	C	3	37	Stckhm.	C	4	39
Funchal	C	17	63	Strasbg.	C	5	41
Geneva	F	4	39	Sydney	S	28	82
Gibrltr.	C	16	61	Tangier	S	18	64
Glasgow	R	11	52	Tel Aviv	S	25	77
G'rnsey	F	11	52	Tenerife	S	18	64
Helsinki	C	2	36	Tokyo	C	11	[illegible]
H. Kong	C	19	66	Toronto	R	16	61
Innsbrk.	S	2	36	Tunis	C	14	57
Invrnss.	C	2	36	Valencia	F	13	55
I.o.Man	R	11	52	Venice	[illegible]	[illegible]	[illegible]
Istanbul	C	[illegible]	[illegible]				

Continued from Page 1

EEC

policy or Community fishing rights.

Mr. Jenkins's message will be that the Prime Minister would be far more likely to achieve an acceptable deal if she adopted a less high-handed attitude and issued no threats.

He will also argue that non-co-operation of the kind Whitehall departments seem to be contemplating could be counter-productive and make agreement with the other heads of government less likely than ever.

But if there is no breakthrough at Dublin, the indications are that Britain will agree to full payment of its contributions for 1980 under present rules, and at the same time launch a series of non-co-operative policies designed to make the complex Community structure virtually unworkable.

Withholding further payments to Community funds beyond next year is under consideration and the fine print of EEC treaties and regulations is under scrutiny to discover legitimate ways of holding up development.

A prime target would be the Common Agricultural Policy and one suggestion is that there would be a freeze of all agricultural prices next spring. Another possibility is the boycotting of all Ministerial meetings, a tactic adopted by the French in the mid-1960s, and the automatic vetoing of fresh policies.

OPEC may withdraw 2m b/d next year

BY RAY DAFTER, ENERGY EDITOR

MEMBERS OF the Organisation of Petroleum Exporting Countries may collectively withdraw 2m barrels a day of oil from the free world market next year, even without further political disruptions, says a new report on the world oil industry.

Hoare Govett, London stockbrokers, says in its latest economic report that this reduction should be partly offset by an extra 1m b/d of production from non-OPEC countries such as the UK, Mexico and Norway. Demand would be affected by lower economic growth and extra conservation effort. But with free world consumption expected to exceed demand by some 300,000 b/d next year, stock levels in the 1980/81 winter could fall to a "dangerously low" level.

Further evidence of rising non-OPEC production came at the weekend with the confirmation that the Statfjord Field—the largest in the North Sea—had been brought on stream and that Mexico was continuing to raise its output.

Mr. Diaz Serrano, director-general of Pemex, the Mexican state oil corporation, said that a average Mexican production so far this year had been 1.8m b/d as against 894,000 b/d in 1976. Next year Mexico would be producing 2.25m b/d.

Qatar radio equipment contract

BURNDEPT ELECTRONICS has supplied £290,000 worth of mobile radio equipment to Qatar as part of a £3m contract for the country's water authority.

The main contractor, Westinghouse of the UK, is supplying monitoring and control equipment for Qatar's water system, which includes desalination plants at Doha.

Burndept is due to ship all its equipment to Qatar this week. The company will send a team of engineers to install the equipment.

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V G H